	Policy Main Title	Financial Reserves & Sustainability Policy	Effective Date	14/06/2026
AIU AMERICAN INTERNATIONAL UNIVERSITY الجامعة الأمريكية الدولية	Category	Finance	Last Review date	
	Policy Number	FIN-001	Next Review date	14/06/2029
	Responsible Entity	Director of Finance	Approved By	Chair Board of Trustees

Overview

Financial sustainability is the bedrock on which every other aspect of AIU's mission rests. Without long-term financial health, sufficient reserves, clean audits, diversified revenue, and integrated financial planning, AIU cannot sustain the faculty quality, program investment, student services, and physical resources that academic excellence requires. Accrediting agency reflects this reality: it requires every accredited institution to demonstrate ongoing financial stability, and it treats the failure to maintain adequate reserves, the absence of an independent annual audit, or the inability to plan credibly beyond a single fiscal year as fundamental failures of institutional capacity.

This policy establishes AIU's framework for financial sustainability. It defines the operating reserve requirement, the multi-year financial planning obligations, the revenue diversification targets, the liquidity and financial risk monitoring standards, the external audit requirements, and the capital planning framework. It is the foundational finance policy that all other FIN-series policies serve. FIN-002 (Budget Governance) operationalizes the planning and control mechanisms. FIN-004 (Related-Party Transactions) protects the integrity of financial resources. All other finance policies describe specific aspects of financial management. This policy governs the overall health and long-term viability of the institution.

Scope

This policy applies to all institutional financial resources, revenue, reserves, investments, and capital and to all planning, reporting, and oversight activities connected to AIU's long-term financial position. It is binding on the Board of Trustees, the President, the Vice President for Administration, the Director of Finance, and all budget holders who contribute to the institution's financial performance. It governs the management of AIU's operating funds, reserve funds, and any endowment or investment holdings established during the policy period.

Purpose

The purposes of this policy are to:

- Establish the 90-day operating reserve requirement as AIU's foundational financial stability standard and define the monitoring, warning, and corrective action framework that ensures the reserve is maintained
- Define the three-year rolling financial planning obligation that connects AIU's financial management to its strategic plan and to the evidence requirements of accreditation
- Establish AIU's revenue diversification targets and the reporting framework through which progress toward those targets is monitored and disclosed
- Define the liquidity management, financial risk monitoring, and financial indicator thresholds that enable early identification and response to deteriorating financial conditions
- Establish the external audit requirements, including auditor independence, audit frequency, Board oversight, and regulatory filing obligations, that demonstrate financial transparency to all stakeholders
- Integrate financial planning with strategic planning, enrolment management, and institutional effectiveness to ensure that budget decisions are evidence-based and mission-aligned

- Demonstrate compliance with sound business practices, financial stability and sufficient resources, and ongoing institutional effectiveness

Definitions and Abbreviations

Operating Reserve: Unrestricted liquid or near-liquid institutional assets maintained to support continuity of operations during periods of financial disruption, unexpected revenue shortfalls, or economic stress. The reserve is expressed as a number of days of total operating expenses.

Days of Operating Expenses: The operating reserve balance divided by average daily operating expenditure, calculated as the total annual operating expenditure divided by 365.

Liquidity: The availability of cash and assets readily convertible to cash within 30 days, sufficient to meet immediate operational obligations without disrupting programs or services.

Financial Sustainability: The institution's ability to maintain financial stability and fulfill its mission over the long term through effective resource management, planning, and diversification of revenue sources.

Three-Year Rolling Financial Plan: A forward-looking financial projection, updated annually, covering the current fiscal year and the two forward years. The Plan includes enrolment scenarios, revenue projections, expense forecasts, reserve trajectories, and capital investment plans.

Revenue Diversification: The development of multiple revenue streams beyond tuition fees to reduce institutional dependence on a single income source and improve financial resilience.

Financial Risk: Any condition, trend, or event that has the potential to adversely affect AIU's financial stability, liquidity, reserve level, or long-term viability.

Current Ratio: A financial liquidity indicator calculated as total current assets divided by total current liabilities. A ratio of 1.2 or above indicates that the institution can meet its short-term financial obligations.

Material Weakness: A deficiency or combination of deficiencies in internal controls such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected in a timely manner, as identified in the external audit management letter.

Institution of Private Training (IPT): Non-degree and professional development programs offered to working adults, community members, and organizations, generating revenue distinct from degree tuition.

Audit and Risk Committee: A standing committee of the Board of Trustees responsible for overseeing the external audit, reviewing the audited financial statements, monitoring financial risk, and ensuring that internal control deficiencies are addressed promptly.

Finance Committee: A standing committee of the Board of Trustees responsible for reviewing and recommending approval of the annual budget, the three-year rolling financial plan, and financial monitoring reports.

Policy

Article 1: Governing Principles of Financial Sustainability

AIU's financial management is governed by the following principles:

a. Mission primacy: Financial resources exist to serve the educational mission. Resource allocation decisions are driven by academic and institutional priorities, not by the financial interests of any connected party. Revenue generated by AIU is reinvested in the institution.

b. Fiscal prudence: AIU maintains financial reserves sufficient to sustain operations through periods of revenue uncertainty and to fund strategic investment without incurring unsustainable debt.
c. Transparency: The Board of Trustees receives complete, accurate, and timely financial information. Financial statements are independently audited and disclosed to all required stakeholders including accrediting agency, the PUC, and the MOE as required.
d. Diversification: AIU actively reduces its dependence on tuition as its sole revenue source through deliberate development of CE, research, and partnership income streams, making the institution more financially resilient over time.
e. Integration: Financial planning is inseparable from strategic planning and institutional effectiveness. Budget decisions reference prior-year performance data and strategic plan alignment. Multi-year financial projections inform and are informed by the strategic plan.
f. Early warning: AIU maintains a financial indicator monitoring system that provides early warning of deteriorating financial conditions, enabling corrective action before a financial difficulty becomes a crisis.
g. Accountability: Every financial sustainability obligation in this policy, the reserve requirement, the multi-year plan, the annual audit, the revenue diversification targets, is time-bound, reported against, and subject to Board oversight. Compliance is not self-assessed; it is verified through the external audit and reported to the Board.

Article 2: Operating Reserve Requirement

AIU shall maintain an operating reserve equal to no less than ninety (90) days of total operating expenses at all times. This is not an aspirational target it is a binding institutional requirement and a threshold indicator used by accrediting agency in evaluating financial sustainability.

1. Reserve Composition and Liquidity

The operating reserve must be held in liquid or near-liquid assets that can be accessed without material penalty within 30 days. Acceptable instruments include: deposits in AIU's designated bank accounts; short-term government securities; money market instruments with maturities of 90 days or less; and other instruments approved by the Board Finance Committee. The reserve must not be held in assets that cannot be converted to cash within 30 days without penalty, including fixed-term deposits with early termination penalties, equity securities, real property, or long-duration bonds.

2. Reserve Monitoring

The Director of Finance calculates the reserve balance and the number of days of operating expenses it represents at the end of each month. The monthly reserve position is reported to the President within five working days of month end. The reserve position is included in every quarterly financial monitoring report to the Board Finance Committee.

3. Reserve Thresholds and Response Actions

The following threshold and response framework governs the operating reserve:

Financial Indicator	**Threshold / Target**	**Required Action if Threshold Breached**
Operating Reserve	≥ 90 days of total operating expenses, held in liquid or near-liquid assets	Corrective Action Plan submitted to Board Finance Committee within 30 days; plan specifies timeline and measures to restore reserve
Operating Reserve - Warning Level	75 to 89 days of total operating expenses	Director of Finance notifies the President immediately; Board Finance Committee informed at next scheduled meeting; monthly monitoring initiated
Operating Reserve - Critical Level	Below 75 days of total operating expenses	Board Finance Committee convened within 10 working days; emergency financial plan presented; Accrediting agency notification assessed
Current Ratio (current assets / current liabilities)	≥ 1.2	Finance review initiated; Director of Finance reports to President and Board Finance Committee within 15 working days
Tuition Revenue Concentration	≤ 85% of total revenue from tuition	Annual target maintained as a risk indicator; annual revenue diversification progress report to Board
Continuing Education Revenue	≥ 15% of total revenue by 2030	Director of Finance tracks and reports progress annually in the Financial Stability Report

Externally Funded Research Revenue	Tracked as a separate revenue category (no floor before 2028)	Annual tracking and reporting to Board Finance Committee; included in three-year rolling financial plan
External Audit - Clean Opinion	Required annually; no material weaknesses outstanding beyond 90 days	Material weakness escalated to Board Audit and Risk Committee within 30 days of audit report; remediation plan presented within 60 days

Article 3: Multi-Year Financial Planning

AIU maintains a three-year rolling financial plan, updated annually, that integrates enrolment projections, revenue forecasts, expense planning, reserve trajectory analysis, capital investment planning, and risk assessment. The Plan is the primary instrument through which AIU demonstrates to accrediting agency that its financial management is forward-looking, risk-aware, and strategically integrated.

1. Plan Content

The three-year rolling financial plan must include the following elements at a minimum:

Plan Element	**Minimum Content Requirement**
Enrolment Scenarios	Base case, optimistic (+10%), and conservative (-10%) enrolment projections; rationale for each scenario; enrolment history and trend data for context
Revenue Projections	Tuition revenue by program and level; IPT and other revenue by category; assumptions stated for each revenue line; sensitivity analysis showing revenue impact of each enrolment scenario
Expense Projections	Personnel costs; program and academic costs; facilities and operations costs; debt service where applicable; planned capital investments; reserve contributions required
Reserve Position	Projected operating reserve balance at the end of each year of the plan; assessment against the 90-day requirement; corrective path if any year is projected below threshold

Capital Investment Plan	Major planned capital expenditures in each year; funding sources for each; impact on operating budget and reserve
Strategic Initiative Costing	Cost and revenue impact of each major strategic initiative planned in the period; integration with the Strategic Plan
Risk Assessment	At least three material financial risks; likelihood and severity assessment for each; proposed mitigation strategy
Revenue Diversification Progress	Status against the CE 15% target and research revenue tracking; initiatives planned for the period to progress diversification

2. Plan Preparation and Approval Cycle

The Director of Finance prepares the draft three-year rolling financial plan by 15 October each year, based on enrolment data from the Registrar, program revenue projections from the VPAA, and operational cost forecasts from all budget holders. The President reviews and finalizes the plan for presentation to the Board Finance Committee in November. The Board Finance Committee reviews the plan and presents its assessment to the full Board in December or January. The Board formally endorses the Plan at the same meeting at which it approves the annual budget.

3. Plan and Strategic Plan Integration

The three-year rolling financial plan and the institutional strategic plan are maintained in alignment. At the beginning of each planning cycle, the Director of Finance meets with the VPAA to confirm that all strategic initiatives planned for the period have been costed and reflected in the financial plan, and that the financial plan's revenue projections are consistent with the enrolment and program assumptions in the strategic plan. Any material divergence between the strategic plan and the financial plan is flagged to the President before the plan is finalized.

Article 4: Revenue Diversification

AIU's institutional financial resilience depends on progressively reducing its dependence on tuition as the primary revenue source. The following revenue diversification targets govern AIU's financial strategy:

Revenue Source	Target	Timeline and Reporting
IPT and Professional Development	Reach minimum 15% of total institutional revenue	By 2030; annual progress reported to Board Finance Committee
Executive Education and Short Programs	Included within IPT 15% target; tracked separately	Annual tracking; program revenue reported in quarterly financial statements
Professional Certifications and Micro-credentials	Tracked as a sub-category of IPT revenue	Annual tracking and reporting from 2027 onward
Externally Funded Research Grants	Tracked as a separate revenue category; no floor set before 2028	Annual research revenue report to Board; milestone targets set in the three-year rolling plan from 2027
Sponsored Consultation and Industry Partnerships	Tracked and reported; included in annual financial statements	Annual tracking; not separately targeted until 2028 strategic review
Auxiliary Services (campus store, facilities rental, food services)	Tracked and reported as a net revenue contribution	Annual reporting in financial statements
Philanthropic Donations and Endowment	No floor target at this stage; Board Advancement Committee responsible for development strategy	Donations reported in audited financial statements; endowment reported separately if established

Revenue diversification targets are reviewed annually by the Board Finance Committee as part of its review of the three-year rolling financial plan. Where the institution is materially behind pace against any target, the Director of Finance presents an explanation and a revised plan for achieving the target within a revised timeline. Targets may be formally revised by the Board where changed market or institutional conditions make the original target unreachable or unrealistic, but targets may not be quietly abandoned without Board action and documentation.

Article 5: Liquidity Management

AIU maintains sufficient liquidity to support operational continuity and meet all financial obligations as they fall due. The following liquidity management provisions apply:

a. The Director of Finance prepares a monthly cash flow forecast covering the current month and the following three months, identifying any periods in which cash inflows are insufficient to meet scheduled outflows. The monthly forecast is reviewed by the Director of Finance and any projected shortfall above KWD 200,000 is escalated to the President immediately upon identification.
b. Cash reserves are invested to maximize return consistent with the liquidity and capital preservation requirements in this policy. No institutional cash is placed in investments that restrict access for more than 90 days without Board Finance Committee approval.
c. AIU does not fund operating deficits by drawing down the operating reserve except in exceptional circumstances formally approved by the Board Finance Committee, with a documented recovery plan. Recovery from a reserve drawdown must restore the reserve to the 90-day level within 24 months of the drawdown unless the Board sets a longer recovery timeline.
d. Seasonal cash flow variability arising, for example, from the timing of tuition collection relative to salary and facilities payments is managed by the Director of Finance through the monthly cash flow forecast and through the maintenance of a separate short-term operational buffer within the operating reserve.

Article 6: Financial Risk Management

AIU monitors the following financial risks and maintains active mitigation strategies for each:

a. Enrolment risk: The three-year rolling financial plan models enrolment scenarios at ±10% of the base projection. The Director of Finance monitors actual enrolment against projections at the census date of each semester and reports to the President and Board Finance Committee on the financial impact of any material variance. An enrolment shortfall exceeding 10% of the annual projection triggers a mandatory review of the expense budget for in-year adjustment.
b. Revenue concentration risk: Tuition dependency above 85% of total revenue is flagged in the financial monitoring report as an elevated risk. The revenue diversification targets in Article 4 are the primary mitigation strategy for this risk.
c. Related-party financial risk: The risk that financial resources are diverted from the educational mission through non-arm's-length transactions is governed by FIN-004. Any material related-party transaction that has not been independently reviewed and Board-approved is a material breach of financial integrity and is treated as a financial risk requiring immediate Board action.
d. Debt and leverage risk: AIU does not incur debt without Board approval. All borrowing decisions include an assessment of debt service capacity based on projected operating cash flows. No debt

arrangement may be entered into that would bring the current ratio below 1.2 unless a formal debt management plan is approved by the Board Finance Committee.

e. Currency and foreign exchange risk: Where AIU incurs obligations in foreign currencies, for example, in connection with affiliate university partnerships or international procurement, the Director of Finance assesses and manages the exchange rate exposure. Material foreign currency exposures are reported to the Board Finance Committee quarterly.

Article 7: Independent External Audit

The external audit is AIU's primary financial accountability instrument. It provides independent assurance that AIU's financial statements present a true and fair view of the institution's financial position, that financial controls are operating effectively, and that no material misstatements exist. The following requirements govern AIU's external audit:

a. AIU conducts an annual independent external financial audit by a qualified audit firm appointed by the Board Audit and Risk Committee. The appointment is subject to annual reconfirmation. The Board may rotate the external auditor at any time, and must rotate the lead audit partner assigned to the AIU engagement at least every five years.
b. The auditor must be wholly independent of AIU's ownership group. The auditor may not have held a management role at AIU, may not be a related party of any Board Trustee or Founder, and may not have provided non-audit services to AIU in a manner that compromises audit independence. Compliance with auditor independence is confirmed in writing by the Board Audit and Risk Committee annually.
c. The audit engagement letter, including scope and fees, is reviewed and approved by the Board Audit and Risk Committee before the audit commences.
d. The audited financial statements must be completed within 90 days of the fiscal year end. The Board Audit and Risk Committee reviews the draft financial statements and the management letter identifying any internal control deficiencies before the statements are presented to the full Board for approval.
e. Any material weakness identified in the management letter must be responded to in writing by the Director of Finance within 30 days, with a remediation plan specifying corrective actions, responsible officers, and completion timelines. The remediation plan is reviewed by the Board Audit and Risk Committee and progress is tracked at each subsequent meeting.
f. Audited financial statements are filed with all regulatory bodies requiring them, the Kuwait Private Universities Council (PUC), the Ministry of commerce and industry (MOCI), and accrediting agency, within the timeframes they specify. An anonymized financial summary accessible to the AIU community is published on AIU's website within 30 days of Board approval of the audited statements.
g. Accrediting agency receives AIU's audited financial statements for the three most recent completed fiscal years as part of every formal accreditation submission. The Director of Finance maintains an accrediting agency financial evidence file that is updated annually and contains: audited statements for the current and two prior years; the current three-year rolling financial

plan; the most recent quarterly reserve monitoring report; and the Board Finance Committee minutes confirming substantive review of financial matters.

Article 8: Capital Planning

AIU maintains a multi-year capital planning process aligned with its strategic plan, facilities need assessment, and financial plan. Capital planning ensures that physical resources, buildings, technology infrastructure, academic equipment, and campus facilities support the educational mission without creating unsustainable financial commitments.

a. The AVPA, VPAA and the Director of Finance, prepares an annual Capital Needs Assessment identifying required capital investments for the current and the following two years, with cost estimates and proposed funding sources for each item.
b. Capital investments are evaluated against the following criteria: strategic alignment with the institutional mission and program requirements; financial feasibility within the three-year rolling plan; impact on the operating reserve and the current ratio; total cost of ownership over the asset's useful life (not just acquisition cost); and whether the investment reduces long-term operating expenditure.
c. Capital projects above KWD 50,000 require Board approval per the FIN-002 Authority Matrix. Capital projects not included in the approved annual capital budget require exceptional in-year Board approval.
d. AIU does not finance capital investment by drawing down the operating reserve below 90 days without a Board-approved recovery plan specifying how the reserve will be restored within 24 months. Capital borrowing is governed by the debt management provisions of this policy and approved through the FIN-002 authority matrix.

Article 9: Contingency Planning

AIU maintains contingency plans for the following scenarios, reviewed annually by the President and Board Finance Committee:

a. Enrolment decline exceeding 15% of annual projection in any academic year
b. Significant unexpected revenue shortfall from any cause
c. Economic disruption affecting student ability to pay tuition
d. Regulatory changes materially affecting AIU's revenue, costs, or operations
e. Emergency events affecting campus operations

Each contingency plan specifies: the trigger condition; the immediate response; the responsible officer; the sequence of financial measures (expense reduction, reserve drawdown, revenue acceleration, external financing) in order of priority; the timeline for implementation; and the conditions under which normal financial planning resumes. Contingency plans are reviewed and updated annually and are presented to the Board Finance Committee alongside the three-year rolling financial plan.

Article 10: Financial Reporting to the Board

The Director of Finance through the President provides the following reports to the Board Finance Committee and, as applicable, the full Board:

a. Monthly reserve monitoring report: prepared within five working days of month end; provided to the President; escalated to the Board Finance Committee if the reserve falls below 90 days.
b. Quarterly financial monitoring report: submitted to the Board Finance Committee at each quarterly meeting; covering actual revenue and expenditure versus budget, the reserve balance and days-of-expenses calculation, cash position and liquidity indicators, variance explanations, and the year-to-date financial forecast.
c. Annual Financial Stability Report: prepared by 30 November each year; submitted to the Board Finance Committee; covering the fiscal year's financial performance against the three-year plan, reserve position at year end, audit status, revenue diversification progress, financial risk assessment, and capital planning update. The Annual Financial Stability Report is presented alongside the audited financial statements.
d. Audited Financial Statements: presented to the Board Audit and Risk Committee in draft before the audit is finalized; presented to the full Board for approval within 90 days of fiscal year end.
e. Accrediting agency Financial Evidence Package: prepared annually by the Director of Finance; filed with the Board Finance Committee records; available to Accrediting agency at any time.

Article 11: Integration with Institutional Effectiveness

Financial sustainability is not a standalone domain. It is integrated with strategic planning, enrolment management, program planning, and institutional effectiveness through the following mechanisms:

a. Budget requests from academic and administrative units must reference prior-year performance data, enrolment trends, and strategic plan alignment as part of the annual budget process. Units that cannot demonstrate strategic alignment receive lower priority in budget allocation.
b. The three-year rolling financial plan is developed in parallel with the Strategic Plan review cycle, and the two documents are presented together to the Board each year to demonstrate their integration.
c. Financial performance data, including reserve levels, revenue diversification progress, and audit outcomes, is included in the Annual Institutional Effectiveness Report to the Board of Trustees and constitutes AIU's primary accreditation evidence.
d. Financial sustainability risks identified in the three-year plan or the quarterly monitoring process are integrated into the institutional risk register maintained by the Director of Finance and reported to the Board through the President alongside the operational risk assessment.

Article 12: Documentation and Record Retention

The following financial sustainability documents are maintained as official AIU institutional records:

- Audited annual financial statements retained permanently
- Three-year rolling financial plans retained for ten years from adoption

- Board Finance Committee minutes and financial monitoring reports retained for ten years
- External audit management letters and remediation responses retained for ten years
- Reserve monitoring reports retained for seven years
- Contingency plans and related Board decisions retained for ten years from adoption

All financial records listed above are available to the external auditor, the Board Audit and Risk Committee, and Accrediting agency upon request within five business days. The Director of Finance is responsible for maintaining and retrieving all records in this category.

Procedures

The following procedures govern the administration of this policy.

Monthly Reserve Monitoring

1. At the end of each month, the Director of Finance calculates the operating reserve balance and the number of days of operating expenses it represents, using the total operating expenses from the most recent completed fiscal year divided by 365 as the daily expense benchmark.
2. The monthly reserve position is documented in the Reserve Monitoring Report and submitted to the President within five working days of month end.
3. If the reserve position falls below 90 days, the Director of Finance notifies the President immediately and provides a written assessment of the cause and projected trajectory within three working days.
4. If the reserve falls below 75 days, the Director of Finance prepares a draft Corrective Action Plan for President approval within 10 working days. The Plan is presented to the Board Finance Committee at its next scheduled meeting or, if the next meeting is more than 20 working days away, at a special convened meeting.

Annual Three-Year Rolling Financial Plan

1. By 15 August of each year, the Director of Finance circulates the three-year rolling financial plan template to all Deans, Directors, and budget holders with instructions and the prior year's plan for reference.
2. Unit inputs, including enrolment projections from the Registrar, program revenue assumptions from the VPAA, and operational costs from all budget holders, are submitted to the Director of Finance by 30 June.
3. The Director of Finance consolidates inputs, applies the required scenario modelling (base, +10%, -10% enrolment), and produces the draft Plan by 15 July. The President reviews and approves the draft Plan by 31 July.
4. The Plan is presented to the Board Finance Committee in December. Committee comments are incorporated and the final Plan is presented to the full Board for endorsement at the same meeting as the annual budget approval in January.
5. The endorsed Plan is filed with the Accrediting agency Financial Evidence Package and is referenced in the Annual Institutional Effectiveness Report.

External Audit Coordination

1. By 1 November or earlier of each year, the Board Audit and Risk Committee confirms the appointment of the external auditor for the upcoming audit engagement, including fee and scope approval.
2. The Director of Finance prepares and delivers all required audit schedules, reconciliations, and supporting documentation to the auditor within 30 days of fiscal year end.
3. The Director of Finance responds to all auditor queries within five working days of receipt. Material unresolved issues are escalated to the President immediately.
4. The draft audited financial statements and management letter are presented to the Board Audit and Risk Committee before finalization. The Committee reviews both documents, asks questions, and approves the statements for presentation to the full Board.
5. The Director of Finance prepares a written response to the management letter within 30 days of audit completion and presents it to the Board Audit and Risk Committee with a tracking log for all identified deficiencies.
6. The finalized audited financial statements are filed with PUC, MOCI, and Accrediting agency within the required timeframes. The Director of Finance maintains confirmation of each filing.

Annual Financial Stability Report

1. By 30 November each year, the Director of Finance prepares the Annual Financial Stability Report covering the completed fiscal year. The Report includes all elements specified in Article 10.3.
2. The Report is presented to the Board Finance Committee at its December meeting. The Committee reviews the Report alongside the draft three-year rolling financial plan to ensure the two documents are consistent.
3. A summary of key financial stability findings, including reserve position, audit outcome, and revenue diversification progress, is included in the Annual Institutional Effectiveness Report presented to the full Board in January.
4. Key financial sustainability metrics are published in the anonymized community financial summary posted on AIU's website within 30 days of Board approval of the audited financial statements.

Board Chair Signature	Signature: ________________________ Date: __________
President Signature	Signature: ________________________ Date: __________

AIU AMERICAN INTERNATIONAL UNIVERSITY الجامعة الأمريكية الدولية	Policy Main Title	Budget Governance, Planning, and Financial Management Policy	Effective Date	14/06/2026
	Category	Finance	Last Review date	
	Policy Number	FIN-002	Next Review date	3 years cycle
	Responsible Entity	Director of Finance	Approved By	Board of Trustees

Overview Financial resources are the means by which AIU delivers on its academic mission. Without disciplined budget governance, transparent planning, and accountable expenditure management, no institution can sustain the faculty quality, program investment, student services, and infrastructure that accreditation requires. This policy establishes AIU's comprehensive framework for how institutional funds are planned, approved, managed, monitored, controlled, and reported.

This policy consolidates and supersedes the AIU Budget Governance, Planning, Transparency and Management and incorporates the specific requirements of financial stability, sound business practices, and institutional integrity including related-party transaction governance. It is complementary to FIN-001 (Financial Reserves and Sustainability), which governs the reserve, audit, and multi-year planning requirements.

Scope

This policy applies to all divisions, schools, departments, offices, operational units, service units, academic units, administrative functions, auxiliary units, and support functions of AIU that participate in, receive, manage, monitor, or expend University budget allocations. It is binding on all individuals exercising financial authority at AIU, including the Board of Trustees, the President, Vice Presidents, Deans, Directors, Department Chairs, and all budget holders.

Purpose

The purposes of this policy are to:

- Establish a single, authoritative institutional framework for budget preparation, approval, implementation, monitoring, and amendment
- Define a formal Financial Authority Matrix specifying which level of governance must approve each category of financial decision
- Ensure budget planning is strategically aligned, evidence-based, and connected to the three-year rolling financial plan
- Establish disciplined controls over expenditure, procurement, capital investment, personnel costs, and budget transfers
- Govern related-party transactions, the category of financial transaction most scrutinized by Accrediting agency at privately owned institutions, with appropriate independence and transparency
- Provide a documented annual budget cycle with binding timelines that supports the external audit and Accrediting agency evidence obligations
- Ensure that the Board of Trustees exercises genuine financial oversight rather than simply ratifying executive decisions
- Demonstrate compliance with honest and ethical business practices, financial stability, and Board independence in financial governance

Definitions and Abbreviations

Annual Budget: The formally Board-approved financial plan for the fiscal year, covering all revenue and expenditure across all units of AIU

Three Year Rolling Financial Plan: A multi-year financial projection updated annually, covering the current and two forward years, used for strategic planning, Board oversight, and Accrediting agency financial evidence.
Budget Holder: The designated officer responsible for managing and monitoring an approved budget allocation or cost center.
Budget Transfer / Virement: The formally approved movement of budget from one approved line, account, category, or unit to another.
Exceptional Funding Request: An in-year request for budget funding outside the originally approved annual budget, requiring the approval tier specified in the Authority Matrix.
Capital Expenditure (CapEx): Expenditure on assets, infrastructure, systems, or improvements intended to provide benefit beyond one fiscal year.
Operational Expenditure (OpEx): Recurring expenditure required for ongoing institutional operations.
Personnel Budget: Salary, benefits, and all other employment-related budget lines.
Related-Party Transaction: Any financial transaction between AIU and an entity connected to the ownership group, Board members, senior administrators, or their Immediate Family Members, including facility rental, management fees, service contracts, or procurement arrangements.
Independent Review: An assessment of a related-party transaction by a qualified professional with no connection to the related party or to AIU's ownership structure, confirming that the terms are consistent with market rates.
Sole Source Procurement: A procurement decision to engage a single supplier without a competitive bidding process, requiring documented justification and elevated approval authority.
Material Variance: A deviation between budget and actual or forecast financial performance that exceeds a threshold defined by the Director of Finance and requires formal explanation and action.
Board Finance Committee: A standing committee of the Board of Trustees responsible for reviewing and recommending financial matters to the full Board.
Director of Finance: The senior institutional officer responsible for technical financial management, budget administration, financial reporting, and audit coordination. Reports to the President.

Policy

Article 1: Governing Principles

All financial decisions at AIU shall be guided by the following principles:

a. Strategic alignment: Budget allocations must reflect and support AIU's strategic plan, academic mission, and institutional priorities. The linkage between each major budget decision and a strategic objective must be documented.
b. Financial discipline: Approved budgets are institutional commitments. No expenditure may exceed an approved budget line without formal authorization through the mechanism specified in this policy.
c. Evidence-based planning: Budget submissions must be supported by actual data, operational evidence, contractual values, or reasoned estimates. Zero-based review of existing lines is conducted annually.

d. Accountability: Every financial decision, commitment, transfer, and expenditure is attributable to a named responsible role. Financial anonymity is not permitted.
e. Auditability: All financial processes must produce a documented trail sufficient to support an independent audit, regulatory review, and accreditation evidence requirements.
f. Transparency: The Board of Trustees receives complete, accurate, and timely financial information. Selective or misleading financial reporting to the Board is a governance failure and a potential violation of accreditation requirement.
g. Independence in related-party oversight: Financial transactions involving the ownership group or Board-connected entities receive the highest level of scrutiny and may not be approved without independent review. This principle is a direct requirement of Accrediting agency.
h. Mission primacy: All financial resource allocations serve the educational mission. Revenue generated by AIU is reinvested in the institution and must not be diverted to benefit the ownership group through non-arm's-length arrangements.

Article 2: Budget Governance: Roles and Authorities

1. Board of Trustees - Financial Oversight

The Board of Trustees holds ultimate financial governance authority at AIU. Its financial responsibilities include:

a. Approving the Annual Budget submitted by the President
b. Approving the appointment of the external auditor and receiving the annual audited financial statements
c. Receiving quarterly financial monitoring reports through the Board Finance Committee
d. Approving all related-party transactions above any monetary threshold, following independent review
e. Approving capital expenditures and debt obligations above the thresholds in the Authority Matrix
f. Approving the tuition and fee schedule
g. Reviewing the three-year rolling financial plan annually

Board financial oversight must be substantive, not ceremonial. The Board Finance Committee is responsible for reviewing financial matters in detail before full Board consideration and must include at least one member with relevant financial expertise.

2. President

The President is the chief executive financial authority within the limits established by the Board. The President is responsible for:

a. Preparing and presenting the Annual Budget to the Board for approval
b. Presenting the three-year rolling financial plan annually to the Board Finance Committee

c. Making final executive budget decisions within approved limits
d. Approving budget transfers, capital expenditures, and procurement within the Authority Matrix thresholds
e. Disclosing all potential related-party transactions to the Board before any commitment is made
f. Ensuring that no financial commitment is made in anticipation of Board approval where Board approval is required

3. Vice President for Administration

The Vice President for Administration provides portfolio-level oversight of all administrative and operational budgets, including HR, Campus Safety and Facilities, and related functions. Responsibilities include reviewing and prioritizing budget requests within the administrative portfolio, endorsing budget transfers within the portfolio, and ensuring that operational and administrative budget planning is realistic, evidence-based, and consistent with institutional policy.

4. Vice President for Academic Affairs

The VPAA leads academic budget planning, ensuring that resource allocations support the academic mission, program quality, accreditation requirements, and the Faculty Development Fund. The VPAA co-endorses the tuition and fee schedule and ensures that academic budget decisions are connected to enrolment projections, program review outcomes, and the institutional strategic plan.

5. Director of Finance

The Director of Finance is the primary technical financial authority at AIU. Responsibilities include issuing budget guidelines, reviewing and challenging budget submissions, consolidating the institutional budget, managing the financial monitoring cycle, preparing financial statements, coordinating the external audit, administering approved transfers and reallocations, and maintaining the financial authority matrix and all official financial records.

6. Deans, Directors, and Department Chairs

Deans, Directors, and Department Chairs are responsible for preparing evidence-based budget requests within their areas, reviewing submissions from units under their responsibility, monitoring approved allocations throughout the year, escalating anticipated variances promptly, and ensuring that all financial commitments within their area comply with this policy.

Article 3: Financial Authority Matrix

The following Authority Matrix specifies the approval required for each category of financial decision. No financial commitment may be made in anticipation of approval at a higher level than the initiating party. All approvals are documented in writing before commitment.

Budget Action	Director of Finance	President	Board / Fin. Cttee
Annual budget guidelines issued	Prepares	Approves	Informed
Departmental budget submission	Reviews	Approves	-
Portfolio budget consolidation	Consolidates	Approves	-
Annual budget - final approval	Prepares	Presents	Approves
Budget transfer < 50,000	Reviews	Approves	Informed
Budget transfer > KWD 50,000	Presents	Recommends	Approves
Capital expenditure < KWD 50,000	Reviews	Approves	Informed
Capital expenditure > KWD 50,000	Presents	Recommends	Approves
Exceptional in-year funding request	Assesses	Recommends	Approves
Procurement non-capital <KWD 10,000	Reviews	Approves	-
Procurement non-capital > KWD 10,000	Presents	Recommends	Approves
Sole-source procurement (any value)	Reviews	Approves (with written justification)	Informed for > KWD 25,000
Contracts > KWD 50,000 (multi-year)	Assesses	Recommends	Approves
Personnel budget - new post	Reviews	Approves	Informed

Mid-year salary change	Reviews	Approves	Informed
Annual financial statements	Prepares	Recommends	Approves and Files
External auditor appointment	Coordinates	Recommends	Appoints
Tuition and fee schedule	Models	Recommends	Approves
Related-party transaction (any value)	Flags	Discloses	Approves with independent review

The Director of Finance shall review and update the Authority Matrix annually to ensure it reflects the institutional structure and financial scale of AIU. Proposed changes require President endorsement and Board notification. Where a transaction does not clearly fall within a specified category, the Director of Finance determines the appropriate approval tier in consultation with the President.

Article 4: Annual Budget Cycle

AIU operates an annual budget cycle aligned to the academic and fiscal year. The cycle is binding on all units. The Director of Finance manages the cycle and may apply provisional treatment to late submissions, which may result in reduced allocation.

Activity	**Deadline**	**Responsibility**
Issue budget guidelines, templates, assumptions, and calendar	1 February	Finance Department
Three-year rolling financial plan presented to Board Finance Committee	15 October	President / Director of Finance
Departmental budget submissions (all units)	28 February	All Budget Holders

Portfolio consolidation — VP and academic leadership review	15 March	VPs / Deans / Directors
Finance Department review, challenge, and consolidation	30 March	Director of Finance
Executive review — President balancing and prioritization	15 April	President
Draft budget presented to Board Finance Committee	30 April	President / Director of Finance
Board approval of annual budget	May (Board Meeting)	Board of Trustees
Budget communicated to all units	Within 5 working days of Board approval	Director of Finance
Q1 monitoring report	15 December	Director of Finance
Mid-year forecast update and review	15 March	Director of Finance
Q3 monitoring report	15 June	Director of Finance
Year-end financial statements completed	60 days after fiscal year end	Director of Finance
Annual independent audit completed and presented to Board	Within 90 days of fiscal year end	External Auditor / Director of Finance

The Director of Finance may issue in-year Budget Guidelines specifying a different departmental submission deadline for a particular cycle (for example, February 20, 2027 for the 2027-28 cycle). Such in-year deadlines supersede the standard deadline for that cycle only and are communicated through the Annual Budget Guidelines companion instrument issued under this policy.

1. Budget Preparation Standards

All budget submissions must:

a. Be prepared using the official Finance Department templates and classification codes for the cycle
b. Be based on prior-year actuals, current-year trends, contractual obligations, quotations, or other documented evidence — not on simple repetition of prior-year figures
c. Include a line-by-line review of each existing budget item to determine whether it should be retained, increased with justification, reduced, discontinued, or reclassified
d. Clearly distinguish recurring from one-time requests
e. Identify all requests with connections to external contracts, capital commitments, or personnel changes
f. Apply the Finance Department's prescribed internal prioritization labels (Critical, Important, Strategic, Optional) to each request

2. Justification Requirements

Any new line item, increased request, capital item, new contract, recurring commitment, or staffing change must include written justification addressing:

a. The specific item requested and its purpose
b. Why the request is necessary and the timing
c. Whether the request is recurring or one-time
d. The basis of cost estimate (quotation, contract, prior-year actuals, etc.)
e. The consequence if the request is not funded
f. Alternatives considered
g. Future-year financial implications
h. Expected value, savings, or impact on student experience, quality, or compliance

3. Capital Investment

Capital investment requests additionally require: a lifecycle cost analysis; maintenance impact assessment; whether the investment reduces long-term operating expenditure; resilience and failure risk assessment; vendor dependency implications; and confirmation that the item is not already addressed through an existing operational or maintenance budget. Capital requests above KWD 50,000 require Board approval.

Article 5: Expenditure Control

Budget holders are responsible for ensuring that expenditure within their area does not exceed the approved budget allocation without formal authorization. The following controls apply to all AIU expenditure:

a. No employee may create a financial commitment, whether through a purchase order, contract, agreement, or any other mechanism, without: (a) confirmed approved budget availability; (b) compliance with the procurement thresholds and approval requirements in this policy; and (c) documentary evidence of the approval.
b. Approved budget allocations may only be spent on the purpose for which they were approved. Using an approved budget line for a different purpose without a formal budget transfer constitutes a violation of this policy.
c. Splitting a procurement or contract request into smaller components to avoid a higher approval threshold is prohibited and constitutes a serious breach of institutional financial integrity.
d. Faculty and staff may not sign contracts, purchase orders, or financial commitments on behalf of AIU unless they hold a written financial delegation of authority issued by the Director of Finance or the President.
e. Credit card and petty cash use is governed by the procedures issued under this policy. All petty cash expenditures must be supported by receipts and reconciled monthly. The maximum single petty cash transaction is KWD 250 unless otherwise approved.

Article 6: Budget Monitoring and Variance Management

The Director of Finance issues budget monitoring reports to all budget holders and to executive leadership at quarterly intervals and at such additional points as the financial cycle requires. Budget monitoring must be a substantive management activity, not a formality.

a. Budget holders must review quarterly monitoring reports within five working days of receipt and provide written variance explanations where actual or forecast expenditure deviates from the approved budget by more than KWD 2,000 on any individual line or by more than five percent cumulatively in their budget area.
b. Any projected budget overrun must be escalated to the relevant VP and the Director of Finance immediately upon identification — not at the next quarterly reporting point. Failure to escalate a known projected overrun in a timely manner is itself a compliance failure.
c. The following conditions automatically trigger escalation to the Board Finance Committee: a variance that threatens a budget overrun across any major cost center; a variance affecting institutional safety or regulatory compliance; a variance indicating that the annual budget is likely to be materially missed; and any revenue shortfall exceeding five percent of the annual budget projection.
d. The Director of Finance produces a mid-year forecast update by 15 March each year, assessing the likelihood of the annual budget being achieved and recommending any corrective action

required. The mid-year forecast is presented to the President and forwarded to the Board Finance Committee.

Article 7: Budget Transfers, Reallocations, and Exceptional Funding

1. Budget Transfers

No budget transfer or reallocation is valid unless formally documented, approved through the Authority Matrix, and recorded in the financial system by the Director of Finance. The following restrictions apply regardless of the transfer amount:

a. Transfers from the personnel budget to non-personnel lines require Vice President endorsement and President approval.
b. Transfers from non-personnel lines to the personnel budget to fund new posts or salary increases require HR coordination and President approval, and must be reflected in the personnel budget record.
c. Transfers from capital expenditure to operating expenditure require President approval and Board notification.
d. Designated, restricted, or grant-funded allocations may not be repurposed informally under any circumstances.

Each transfer request must document: source line, destination line, amount, rationale, effect on the affected areas, whether the transfer is recurring or one-time, and all required approval signatures.

2. Exceptional In-Year Funding

Requests for additional in-year funding not included in the approved annual budget are exceptional and are not approved routinely. Eligible grounds include: urgent regulatory compliance requirement; health or safety issue; critical infrastructure emergency; an approved new strategic directive arising after budget approval; or a material unforeseen operational need that cannot be addressed through internal reprioritization. Every exceptional request must explain: why the need was not foreseeable at budget preparation; whether a budget transfer can address the issue; the consequence of non-funding; and future financial implications. Exceptional requests require Board Finance Committee approval.

Article 8: Personnel Budget Controls

All personnel budget decisions require HR coordination, Finance review, and the approval tier specified in the Authority Matrix. Specifically:

a. No new post, whether permanent, fixed-term, or acting, may be established without HR confirmation that the post is consistent with the approved organizational structure and Finance confirmation that approved budget is available.

b. No salary change — whether a merit increase, market adjustment, promotion increment, or acting allowance — may be implemented without a written Finance review confirming budget availability and HR confirmation of policy compliance.
c. Vacant posts shown in the organizational structure but not yet filled are not automatically funded. Finance confirmation of funding availability is required before recruitment is initiated.
d. The total personnel budget at year end must not exceed the approved annual personnel budget without formal approval through the exceptional funding process.

Article 9: Procurement and Vendor Management

All procurement at AIU shall be conducted through a competitive, transparent process proportionate to the value of the procurement. The following minimum standards apply, pending the development of the dedicated Procurement and Vendor Management Policy (FIN-004):

a. Procurement below KWD 10,000 shall be approved by the President, supported by documented comparative quotes from at least two suppliers where available.
b. Procurement above KWD 10,000 requires a formal competitive bidding process with documented evaluation criteria and Board Finance Committee approval.
c. Sole-source procurement, engaging a single supplier without competitive bidding, must be documented with a written sole-source justification approved by the President for amounts up to KWD 25,000 and by the Board for higher amounts. Convenience, preference, or prior relationship are not acceptable sole-source justifications.
d. Multi-year contracts above KWD 50,000 require Board approval.
e. All contracts must be reviewed by the Director of Finance for budget availability and financial terms before execution. No contract may be signed by anyone other than an authorized signatory under the Authority Matrix.
f. Vendor payments shall be processed only against a purchase order, delivery confirmation, and approved invoice. The Director of Finance maintains the authorized vendor list and payment records.

Article 10: Related-Party Transactions

Related-party transactions are subject to the most stringent financial governance provisions in this policy. They are the category of financial transaction most closely examined by Accrediting agency during institutional review of privately owned institutions. The failure to govern these transactions transparently and independently is among the most common reasons Accrediting agency finds that an institution's financial practices undermine its independence.

1. Definition and Identification

A related-party transaction at AIU is any financial arrangement between AIU and an entity in which any of the following parties holds a financial interest, management role, ownership stake, or employment relationship: any member of the Board of Trustees; the President; any Vice President; any member of the ownership group; or any Immediate Family Member of any of the above. Related-party transactions include facility rental, management fees, service contracts, procurement from related-party suppliers, licensing arrangements, and any other financial engagement.

2. Mandatory Disclosure

Any Board member, the President, or any Vice President who identifies a potential related-party transaction must disclose it to the Board Chair immediately and before any negotiation, commitment, or payment is made or authorized. Disclosure is made in writing and is recorded in the Board minutes. A register of related-party transactions is maintained by the Director of Finance and is available to the external auditor.

3. Independent Review Requirement

No related-party transaction may be approved without an independent review confirming that the terms, price, and conditions are consistent with market rates and arm's-length commercial norms. The independent review is conducted by a qualified professional with no connection to the related party, appointed by the Board Finance Committee. The cost of the independent review is borne by AIU.

4. Board Approval

All related-party transactions require full Board approval regardless of amount. Board members who are the related party, or who have a connection to the related party, must recuse from deliberation and voting. Approval must be documented in Board minutes with the independent review report attached.

5. Disclosure in Financial Statements

All related-party transactions must be fully disclosed in AIU's audited annual financial statements in accordance with applicable accounting standards. Any transaction omitted from the audited financial statements in violation of this provision is a material misstatement and a potential violation of accreditation requirement.

6. Prohibition on Diversion

No related-party transaction may divert financial resources from AIU's educational mission to the personal benefit of the ownership group. Management fees paid to ownership-affiliated entities, above-market facility rents, and other mechanisms by which institutional funds are transferred to related parties without genuine equivalent service or value are prohibited. Accrediting agency treats such diversion as a material failure of institutional integrity.

Article 11: Financial Reporting and Transparency

1. Internal Financial Reporting

The Director of Finance issues financial reports to executive leadership and to the Board Finance Committee on a quarterly basis, covering: actual revenue and expenditure against budget; forecast for the remainder of the year; cash position and reserve status; significant variances with explanations; and any compliance or audit issues identified. The Board Finance Committee reviews these reports and may request additional information or corrective action before presenting a summary to the full Board.

2. Annual Audited Financial Statements

AIU conducts an annual independent external financial audit by an auditor approved by the Board Audit and Risk Committee. The auditor must be independent of AIU's ownership group and may not have provided non-audit services to AIU in a manner that compromises audit independence. Audited financial statements must be completed within 90 days of the fiscal year end and presented to the full Board. Audited statements are filed with all regulatory bodies that require them, including the Private Universities Council (PUC), and Accrediting agency. A financial summary accessible to the AIU community is published annually.

3. Accrediting agency Financial Reporting

AIU includes the following in its accreditation evidence portfolio: audited financial statements for the most recent three completed fiscal years; the current three-year rolling financial plan; the 90-day reserve status as reported to the Board Finance Committee; the related-party transaction register; and Board Finance Committee minutes demonstrating substantive financial oversight. These documents must be current, complete, and consistent with each other.

Article 12: Prohibited Practices

The following practices are prohibited at AIU and may result in immediate administrative action, escalation to the Board, disciplinary proceedings under FAC-004 or the equivalent administrative policy, or referral to appropriate authorities:

a. Spending beyond approved budget authority without formal authorization
b. Creating financial commitments without approved budget, proper authorization, and documented approval
c. Splitting procurement or contract requests to avoid higher approval thresholds
d. Charging expenditures to unrelated budget lines to conceal overspending or misuse
e. Informal reallocation of funds without documented approval
f. Misrepresenting draft budget requests as approved allocations
g. Withholding material financial information from the Director of Finance, President, or Board

h. Signing contracts on behalf of AIU without written financial delegation authority
i. Entering into or implementing a related-party transaction without disclosure, independent review, and Board approval
j. Using institutional resources, personnel, or information for personal benefit
k. Altering official financial templates, records, or reports without authorization
l. Making payments to a vendor that has not been processed through the approved procurement and purchase order system

Article 13: Records, Audit Trail, and Document Retention

The Director of Finance maintains the official institutional record of all financial documents including budget guidelines and templates, submissions and supporting justifications, review and challenge notes, transfer requests and approvals, monitoring reports, variance explanations, procurement records, contract registers, payment records, and audited financial statements. All financial records are retained for a minimum of seven years from the end of the relevant fiscal year, or longer if required by applicable law or accreditation requirements. Financial records are available to the external auditor, the Board Audit and Risk Committee, and Accrediting agency at all times.

Article 14: Annual Review

This policy is reviewed annually by the Director of Finance and presented to the President, given the annual nature of the budget cycle. Any material amendment requires Board approval. The authority matrix in Article 3 may be updated by the Director of Finance with President endorsement and Board notification, provided the update does not reduce the level of oversight for any transaction category.

Procedures

The following companion instruments are issued and maintained under this policy by the Finance Department. Each has binding effect when issued:

1. Budget Authority Matrix: detailed authority thresholds updated annually
2. Annual Budget Guidelines: specific instructions, assumptions, and templates for the current cycle
3. Budget Calendar: binding timelines for the current cycle
4. Budget Justification Form: standardized justification template
5. Budget Transfer Form: formal transfer request with required information fields
6. Exceptional Funding Request Form: structured request form for in-year exceptional funding
7. Variance Explanation Form: quarterly variance reporting template
8. Capital Request Form: enhanced justification format for CapEx requests
9. Staffing Budget Change Form: coordinated HR-Finance personnel budget change record
10. Sole-Source Procurement Justification Form: required for any non-competitive procurement

11. Related-Party Transaction Disclosure and Register: maintained by Finance, reviewed by Board

All forms and companion instruments are issued by the Director of Finance and published on the Finance Department intranet page. They are updated annually or as required by changes to this policy.

Board Chair Signature	Signature: ________________________ Date: __________
President Signature	Signature: ________________________ Date: __________

	Policy Main Title	Tuition, Fees, and Student Financial Accounts Policy	Effective Date	June 14 2026
	Category	Finance	Last Review date	
	Policy Number	FIN-003	Next Review date	3 years cycle
	Responsible Entity	Director of Finance	Approved By	Board of Trustees

Overview

The Tuition, Fees, and Student Financial Accounts Policy establish the comprehensive framework governing how AIU charges, communicates, collects, and manages all financial obligations of students, and how it processes refunds and manages student financial accounts. Clear, transparent, and consistently applied financial policies are a core obligation of institutional integrity. Accrediting agency requires that institutions represent themselves to students accurately and truthfully, and nowhere is truthfulness more consequential than in the representation of the cost of attendance. This policy ensures that every student, whether Kuwaiti, GCC, or international; government-sponsored or self-funded, understands their financial obligations before enrolment and that those obligations are administered fairly and consistently throughout their time at AIU.

This policy is grounded in the tuition rates formally approved by the Kuwait Private Universities Council (PUC) as documented in AIU's Statement for the Establishment of a Private Educational Institution (Third Edition, April 2026). It is complementary to FIN-001 (Financial Stability), FIN-002 (Budget Governance), and the Financial Aid and Scholarship Policy (FIN-008).

Scope

This policy applies to all students enrolled in degree and non-degree programs at AIU, including undergraduate, graduate, and Foundation Program students. It applies to self-funded students, Kuwaiti government-sponsored students, GCC government-sponsored students, scholarship recipients, and all other enrolled students regardless of nationality or funding source. It covers tuition, mandatory fees, optional fees, deposits, late charges, refunds, financial holds, and the management of student financial accounts.

Purpose

The purposes of this policy are to:

- Establish AIU's tuition rates as approved by the PUC and confirm the authority of the Board to set and adjust fees within PUC limits
- Define the complete schedule of non-tuition fees applicable to all students
- Establish the tuition refund schedule that governs all courses and program withdrawals
- Define the payment options, deadlines, and instalment provisions available to students
- Establish the framework for government-sponsored student financial management, including the processing of PUC sponsorship payments
- Establish the student financial account system, including the financial hold mechanism and its consequences
- Define the financial hardship accommodation process
- Provide a transparent cost-of-attendance disclosure framework consistent with accreditation requirements
- Define the governance of tuition and fee setting, including the approval authority and the communication timeline for any fee changes

AIU AMERICAN INTERNATIONAL UNIVERSITY الجامعة الأمريكية الدولية	Policy Main Title	Tuition, Fees, and Student Financial Accounts Policy	Effective Date	June 14 2026
	Category	Finance	Last Review date	
	Policy Number	FIN-003	Next Review date	3 years cycle
	Responsible Entity	Director of Finance	Approved By	Board of Trustees

Definitions and Abbreviations

Tuition: The charge for educational instruction and services assessed on a per-credit-hour basis at the rates established by the PUC and the Board.

Mandatory Fee: A non-tuition charge assessed to all enrolled students in each category, such as the student services fee or the technology fee. Mandatory fees are listed in the Schedule of Fees approved by the Board.

Optional Fee: A charge assessed for a specific service chosen by the student, such as a course audit, a replacement ID, or an additional transcript.

Registration Deposit: A deposit paid by a newly admitted student that confirms their intention to enroll and is applied to the first semester's tuition.

Student Financial Account: The institutional account maintained by AIU's Finance Department for each enrolled student, recording all tuition and fee charges, payments received, credits, refunds, and outstanding balances.

Financial Hold: A block placed on a student's account that restricts access to registration, transcripts, diplomas, and other institutional services when the student has an unresolved financial obligation.

Kuwaiti Government Sponsorship: Financial support provided to eligible Kuwaiti students at the PUC-approved rates through a formal sponsorship letter mechanism. AIU is a participating institution for this sponsorship program.

Sponsorship Budget: The official written document issued by the sponsoring government body to AIU confirming its financial responsibility for a sponsored student's tuition for a specified academic period.

Self-Funded Students: A student who pays their own tuition and fees, or whose tuition is paid by a private third party (family, employer, or private scholarship), without government sponsorship.

Cost of Attendance: The total estimated annual cost for a student to attend AIU, including tuition, mandatory fees, housing, food, transportation, and personal expenses, as published in AIU's publicly available cost disclosure materials.

Installment Plan: A formally approved arrangement permitting a student to pay semester tuition in a series of scheduled payments over the course of the semester, rather than in a single lump sum.

Financial Hardship Accommodation: A formal, time-limited arrangement provided to a student experiencing a documented and unforeseen financial emergency, allowing for deferred payment or a modified instalment schedule.

Student Accounts Office: The function within AIU's Finance Department is responsible for billing, collections, payment processing, account maintenance, refund processing, and financial hold administration for all student accounts.

PUC: Private Universities Council of Kuwait, the regulatory authority that approves tuition rates for AIU and all other private universities in Kuwait.

Policy

Article 1: Authority to Set Tuition and Fees

The Board of Trustees holds the authority to establish AIU's Schedule of Tuition and Fees, subject to PUC regulatory approval. All tuition rates must be submitted to and approved by the PUC before they take effect. No tuition rate may be charged to any student at a level different from the PUC-approved rate without prior PUC authorization.

1. PUC-Approved Rates

The current tuition rates approved by the PUC are as set out in Article 2 of this policy. These rates are denominated in Kuwaiti Dinars per credit hour and apply uniformly to all students in the relevant program, regardless of nationality or funding source.

2. Fee-Setting Authority

Non-tuition mandatory fees are established by the Board on the recommendation of the President and Director of Finance. Optional fees are set by the Director of Finance within a range approved annually by the Board Finance Committee. No new mandatory fee can be introduced without Board approval. Annual adjustments to optional fees do not require Board approval provided they are within the approved range.

3. Annual Review and Change Notification

The Schedule of Tuition and Fees are reviewed annually by the Director of Finance and presented to the Board Finance Committee by 30 May each year for the following academic year. Any change to the tuition rate (subject to PUC approval) or the mandatory fee schedule must be communicated to currently enrolled students no less than 120 days before taking effect. Communication must state the exact amount of the change, the effective date, and how the student can obtain further information. Tuition and fee rate increases shall not exceed five percent per annum in any single adjustment unless exceptional circumstances, approved by the Board and communicated to the PUC, require a larger change.

4. No Retroactive Changes

Once a student has registered for a semester, the tuition and mandatory fee rates applicable to that semester are locked. No retroactive fee increase may be applied to a semester already in progress. This provision protects enrolled students from in-semester financial disruption.

Article 2: Schedule of Tuition - PUC-Approved Rates

1. The following tuition rates are approved by the Kuwait Private Universities Council (PUC) and are effective from the date of this policy. These rates apply on a per-credit-hour basis for all enrolled students.

Program / Field	Rate per Credit Hour (KWD)	Regular Semester Load	Summer Semester Load	Min. Admission Score
School of Business Administration				
BSc Business Administration (Accounting, Management, Finance, Global Logistics, Entrepreneurship, Marketing, MIS)	KWD 240	12 credit hours	9 credit hours	70+
BSc Business Technology	KWD 240	12 credit hours	8 credit hours	70+
MSc Data Science and Business Analytics	KWD 240	12 credit hours	6 credit hours	CGPA 2.5+
School of Engineering				
BSc Mechanical, Civil, Electrical & Computer, Chemical, Industrial, Biomedical, Petroleum Engineering	KWD 260	12 credit hours	9 credit hours	70+
BSc Electrical/Electronic Engineering Technology	KWD 260	12 credit hours	8 credit hours	70+
BSc Computer Science	KWD 260	12 credit hours	9 credit hours	70+
MSc Computer Science	KWD 275	12 credit hours	6 credit hours	CGPA 2.5+
MSc Engineering Management	KWD 275	12 credit hours	6 credit hours	CGPA 2.5+

MSc Robotics (Wayne State affiliation)	KWD 275	12 credit hours	6 credit hours	CGPA 2.5+
School of Architecture and Design				
Bachelor of Architecture (5 years, 157 credit hours)	KWD 240	12 credit hours	9 credit hours	75+
BFA Interior Design	KWD 240	12 credit hours	9 credit hours	70+
BFA Graphic Design	KWD 240	12 credit hours	9 credit hours	70+
School of Arts and Sciences				
BA Urban Studies and Planning; BA International Studies; BA English Language and Literature	KWD 240	12 credit hours	9 credit hours	70+
BSc Biotechnology	KWD 240	12 credit hours	9 credit hours	70+
BA Film Studies	KWD 240	12 credit hours	8 credit hours	70+
School of Education				
BA Education English Language; BA Education Science; BA Education Mathematics	KWD 240	12 credit hours	9 credit hours	70+
MEd Educational Leadership	KWD 240	12 credit hours	6 credit hours	CGPA 2.5+

Notes: (1) International affiliated programs are subject to additional international program fees that may be assessed separately, consistent with the affiliate partnership agreement and disclosed at admission. (2) The Architecture program spans five years. (3) Foundation / English Proficiency Program courses are charged at a flat rate per course regardless of credit hours (see Article 3).

2. The above rates apply uniformly to all self-funded, privately sponsored, and government-sponsored students. The Kuwaiti government sponsorship covers tuition at these PUC-approved rates. No premium or surcharge may be applied to government-sponsored students above the published rate.

Article 3: Schedule of Non-Tuition Fees

1. The following mandatory and optional fees are assessed in addition to tuition. Fees are stated in Kuwaiti Dinars. All fees are denominated and collected in KWD. The complete current Schedule of Fees is published on AIU's public website and in the Student Handbook. The Schedule of Fees is updated annually and the version applicable to a given academic year is effective from the first day of that year's Fall semester.

Fee	Amount (KWD)	Refundable
Application processing fee	20	No
English and Math Placement Test	5 Per Exam	No
Enrolment / registration deposit (applied to first semester tuition)	150	Applied to tuition; non-refundable if student does not enroll
Student services fee (per semester - regular)	190	No
Student services fee (per semester - summer)	95	No
Student ID card (initial issuance)	5	No
Replacement student ID card	5	No
Official transcript (per copy)	5	No

Unofficial transcript	No charge (through student portal)	N/A
Late registration fee (per semester)	5	No
Late payment fee (per month or part thereof)	1% of outstanding balance, maximum KWD 50 per month	No
PUC Registration Request	10 Per Request	No
Graduation fee	60	No
Foundation / English Proficiency Program (per course)	2000 per course	No
Math Foundation Program	500 Per Course	

2. No fees other than those listed in the Board-approved Schedule of Fees may be charged to students. A faculty or staff member who charges a student any fee not in the Schedule, whether for tutoring, materials, or any other purpose in their capacity as an AIU employee, is in violation of this policy and of FAC-010 (Faculty Conflict of Interest Policy).

Article 4: Tuition Refund Schedule

The tuition refund schedule governs the amount of tuition refunded to a student who withdraws from a course or from AIU during a semester. The refund schedule is based on calendar days from the official start of the semester, consistent with the practice at accredited institutions. The refund schedule applies to each individual course for partial withdrawal and to total tuition charged for full program withdrawal.

Withdrawal Period (from semester start)	**Tuition Refund**	**Notes**
Before first day of classes	**100%**	Full refund; registration deposits are non-refundable

Week 1	**100%**	Student must formally withdraw through the Registrar
Week 2	**70%**	Administrative processing fee retained
Week 3	**50%**	
After Week 3 /	**0%**	No refund; account balance remains due and payable
Medical withdrawal (with documented evidence)	**Up to 100% - at President discretion**	Requires certification from a licensed medical authority and VPAA approval
University-initiated cancellation (course cancelled by AIU)	**100%**	Full refund of that course's tuition within 10 working days
Sponsored student - government sponsorship revoked before semester end	**Treated as student-initiated withdrawal; refund per standard schedule**	AIU notifies Ministry of Education upon revocation of sponsorship

1. How the Refund is Applied

Refunds are calculated against the tuition charged for the withdrawn courses only, not against mandatory fees (which are non-refundable). Where a student has an outstanding balance on their account, any refund is first applied to reduce that balance. Net refunds are paid to the original payment source. Refunds to government-sponsored students whose tuition was paid by the MOE are returned to the MOE, not to the student. Refunds are processed within fifteen working days of the official withdrawal date.

2. Withdrawal Procedure

A withdrawal is only effective when the student has submitted a complete Withdrawal Form to the Registrar's Office. Informing an instructor, ceasing to attend, or notifying the Department Chair does not constitute an official withdrawal. The refund calculation date is the date the Registrar receives and processes the Withdrawal Form, not the date the student last attended class.

3. Sponsored Students and Refunds

For Kuwaiti government-sponsored students, the MOE sponsorship covers tuition up to the point of official withdrawal. Where a sponsored student withdraws, AIU calculates the tuition due using the standard refund schedule and returns any excess sponsorship funds to the MOE within thirty working days of the withdrawal date. AIU notifies the MOE in writing of any sponsored student withdrawal within five working days of the withdrawal being processed.

Article 5: Tuition Payment — Deadlines, Options, and Instalment Plans

1. Payment Deadline

Tuition and mandatory fees for each semester must be paid in full, or a formal instalment plan must be in place and the first instalment paid, by the payment deadline published in the academic calendar — ordinarily no later than the end of the second week of classes. Students who have not met their financial obligation by the payment deadline will have a Financial Hold placed on their account. A student with a Financial Hold may not add or drop courses. Academic services continue during the two-week grace period to avoid disrupting student learning, but registration for the following semester is blocked until the hold is cleared.

1.1 Initial Enrollment Payment Requirement

To complete enrollment, the student is required to pay a minimum of **KD 150** at the time of registration.

In addition, a minimum of 30% of the total semester tuition fee must be paid prior to the start of classes for the student to be eligible to attend.

Enrollment shall not be considered complete, and class attendance will not be permitted, unless the above payment requirements are fulfilled.

Minimum Upfront Tuition Payment Structure (30% Requirement)

Student Category	Total Semester Fee	Required Upfront Payment (Approx. 30%)
English Foundation Students	KD 2,000	KD 600
Math Foundation Students	KD 500	KD 150
Undergraduate – Non-Engineering	KD 2,880	KD 850

Student Category	Total Semester Fee	Required Upfront Payment (Approx. 30%)
Undergraduate – Engineering	KD 3,120	KD 900

These amounts are rounded for operational convenience.

1.2 Academic Eligibility Based on Payment

1.3 Class Attendance Eligibility

Students who fail to pay the required 30% upfront payment:

- Will not be eligible to attend classes

This clause must be clearly stated in the Student Enrollment Agreement signed during admission.

1.4 Remaining Tuition Fee Payment Timeline

Students must settle the remaining tuition balance within eight (8) weeks from the start of the semester.

1.5 Financial Control Measures

1.6 Financial Hold

If a student fails to settle the outstanding balance within 4 weeks, the Finance Department will impose a Financial Hold.

1.7 Academic Restrictions After Week 8

From the **8th week of the semester**, students with outstanding balances will face the following restrictions:

1. No class attendance permitted
2. Attendance will not be recorded
3. Access to academic services may be restricted

2. Payment Methods

AIU accepts the following payment methods for tuition and fee obligations:

a. Electronic bank transfer to the AIU institutional bank account (details published in the Student Handbook)

b. Credit or debit card through the AIU student portal payment gateway
c. Cheque payable to American International University, delivered to the Finance Department cashier in person
d. Government sponsorship, through the official MOE electronic sponsorship confirmation system

Cash payments are not accepted for tuition above KWD 20. All payments must reference the student ID number and semester. Bank transfers must be accompanied by a deposit confirmation submitted to the Student Accounts Office. A returned or dishonored payment incurs the returned payment fee in the Schedule of Fees and reinstates the full balance immediately.

3. Late Payment Fees

A late payment fee of one percent of the outstanding balance per month, to a maximum of KWD 50 per month, is assessed on any unpaid balance remaining after the payment deadline. Late payment fees accrue from the first day of the month following the payment deadline and continue to accrue monthly until the balance is paid in full. Late payment fees are non-refundable and are not waivable except through the financial hardship process in Article 7.

Article 6: Kuwaiti Government-Sponsored Students

AIU is a registered institution with the Kuwait Ministry of Education (MOE) for the purpose of accepting government tuition sponsorships for eligible Kuwaiti students. The following provisions govern sponsored student financial management. These provisions are designed to protect both the sponsored student and the institution, and to ensure AIU's continuing eligibility as a recipient of government sponsorship.

1. Sponsorship Letter Requirement

a. A Kuwaiti government-sponsored student must submit an official Sponsorship Letter from the MOE to the Student Accounts Office no later than the end of the first week of each semester for which sponsorship is claimed. The Sponsorship Letter must specify: the student's full name and civil ID; the academic year and semester covered; the program enrolled in; and the MOE's confirmation of financial responsibility for the tuition at the PUC-approved rate.
b. No academic credit and no official grade are issued for a semester in which an outstanding financial obligation remains unsatisfied — either by payment or by a valid Sponsorship Letter. A sponsored student who fails to submit a valid Sponsorship Letter by the end of the second week of classes is treated as a self-funded student for that semester and is subject to the standard payment deadline and hold provisions.

2. Sponsorship Rates and Billing

The MOE sponsors Kuwaiti students at the PUC-approved per-credit-hour rates set out in Article 2. AIU bills the MOE through the official electronic sponsorship system after the Add/Drop period each semester, based on the student's final registered credit hours. No supplementary charges may be billed to the MOE above the PUC-approved rate. Mandatory fees beyond tuition (student services fee, technology fee, etc.) are the student's personal financial responsibility and are not covered by MOE sponsorship unless the MOE explicitly states otherwise in the Sponsorship Letter. For PUC scholarship students, PUC shall pay AIU KD 25 per student as other fees to cover all applicable non-tuition charges. No additional non-tuition fees shall be charged to PUC scholarship students.

3. Sponsorship for Credit Hours Beyond the Standard Load

MOE sponsorship ordinarily covers the standard semester credit hour load for the enrolled program (as specified in Article 2). Where a student registers for credit hours in excess of the standard load with a formal written overload approval, the MOE sponsorship does not automatically extend to cover the additional credit hours. AIU verifies coverage of any credit hours above the standard load with the MOE before permitting registration. If the MOE does not cover the additional credit hours, the student is personally responsible for payment at the applicable per-credit-hour rate before the payment deadline.

4. Suspension of Sponsorship

Where the MOE suspends or revokes a student's sponsorship during an active semester, due to academic standing, policy violation, or administrative determination, AIU notifies the student in writing within three working days of receiving the MOE notification. The student then becomes personally responsible for the tuition balance for the current semester, calculated as the total tuition due minus any amounts already collected from the MOE for that semester. The standard refund schedule does not apply to the MOE portion already paid; AIU's obligation is to the MOE for any refund of pre-paid amounts.

5. GCC Government Sponsorships

Students sponsored by the governments of other GCC states are treated under this policy equivalently to Kuwaiti government-sponsored students, provided the sponsoring government's letter meets the same requirements as the MOE Sponsorship Letter and the sponsoring government maintains a recognized arrangement with AIU. Any GCC government sponsorship arrangement must be documented in a Memorandum of Understanding between the relevant government body and AIU, reviewed and approved by the President, and filed with the Director of Finance.

Article 7: Financial Hardship Accommodation

AIU recognizes that students may experience genuine and unforeseen financial hardship during their enrolment. AIU is committed to supporting students in completing their education where such hardship is documented and temporary, while maintaining the financial integrity of the institution.

1. Eligibility

A student is eligible to apply for financial hardship accommodation where: (a) the student is in good academic standing (not on academic probation); (b) the hardship is a result of an unforeseen event or emergency arising during the current semester, not the result of long-term financial circumstances that were present at the time of enrolment; and (c) the student is not a recipient of a current government or institutional scholarship that covers the same costs.

2. Available Accommodations

Financial hardship accommodation may include one or more of the following, at the discretion of the Director of Finance:

a. A deferred payment arrangement extending the payment deadline by up to 30 days
b. A modified instalment plan with adjusted payment amounts and dates
c. A waiver of the late payment fee for the current semester (not transferable to future semesters)
d. A partial waiver of the current semester's mandatory fees, in exceptional circumstances, requires President approval

Financial hardship accommodation does not reduce tuition. It provides additional time or flexibility in payment, not a reduction in the amount owed.

3. Application Process

A student seeking financial hardship accommodation must submit a written application to the Student Accounts Office, accompanied by supporting documentation of the hardship event (medical certificate, loss of employment notification, death in immediate family, etc.). Applications are reviewed by the Director of Finance within five working days. The student is notified of the outcome in writing. A denied application may be escalated to the President within five working days of notification. The President’s decision is final. All hardship accommodation applications and outcomes are retained as confidential student financial records.

Article 8: Student Financial Account Management and Financial Holds

1. Student Financial Account

The Student Accounts Office maintains a financial account for every student enrolled. The account records all charges (tuition, fees, late payment fees), all payments received (cash, bank transfer, government sponsorship), all credits (refunds, corrections), and the current outstanding balance. Students access their financial account through the AIU student portal. Account statements are issued at the beginning of each semester and updated in real time as transactions occur.

2. Official Notification of Charges

The Tuition and Fee Notice issued by the Student Accounts Office and sent to the student's AIU institutional email address constitutes official notice of financial liability. It is the student's responsibility to maintain access to their AIU institutional email and to check it regularly. Failure to check institutional email does not exempt a student from financial obligations or deadlines.

3. Financial Holds: Categories and Consequences

A financial hold is placed on a student's account when a financial or compliance obligation remains unresolved. Holds are applied automatically by the student management system based on criteria maintained by the Student Accounts Office. The following table describes the hold categories and their consequences:

Hold Type	Consequences While Hold is Active
Financial Hold (outstanding balance)	Cannot register for future semesters; cannot add or drop courses; official transcripts and grade reports withheld; diploma withheld until cleared; library borrowing suspended
Registration Hold (pending documents)	Cannot register until outstanding documents are submitted and cleared by Admissions; academic services suspended
Compliance Hold (policy violation)	Placed by relevant office; consequences depend on the nature of the hold; student is notified in writing with specific conditions for removal
Financial Aid Hold (pending verification)	Registration permitted for one semester only; hold must be cleared before subsequent registration

A Financial Hold is lifted automatically upon confirmation of full payment or satisfactory financial arrangement. The student is notified of the hold removal through the student portal and AIU institutional email within two working days of the hold being cleared.

1. Withholding of Transcripts and Diplomas

AIU will not release official transcripts, degree certificates, letters of completion, or any official academic documentation to a student or third party while a Financial Hold is active on the student's account. The withholding of official documents applies until the Financial Hold is fully cleared, including all outstanding late fees.

2. Graduation Clearance

A graduating student must have a zero balance on their student financial account, including all tuition, fees, and late charges, before a diploma is issued or graduation is confirmed. The Registrar coordinates with the Student Accounts Office during graduation processing to confirm financial clearance. A student who has otherwise met all graduation requirements but has an outstanding balance will have their diploma withheld until the balance is cleared. The student's name will not appear in the commencement program unless financial clearance is confirmed by the published graduation clearance deadline.

Article 9: Cost of Attendance Disclosure

1. In accordance with truthful representation to students and program cost information, AIU publishes and maintains a Cost of Attendance estimate for each academic year. The Cost of Attendance is published on AIU's public website, in Admissions materials, and in the Student Handbook. It is updated annually before the commencement of the academic year.

The Cost of Attendance estimate includes:

   a. Annual tuition based on a standard credit hour load for the student's enrolled program, at the PUC-approved rate
   b. Mandatory fees for two regular semesters
   c. Estimated housing costs for a student living independently in Kuwait City (range)
   d. Estimated food and personal expenses (range)
   e. Estimated transportation costs
   f. Estimated costs for textbooks and course materials
   g. A summary disclosure of all other optional fees

2. The Cost of Attendance estimate is clearly labelled as an estimate and is not a guaranteed of the total cost. Students are directed to their specific program's tuition schedule and to the Student Accounts Office for personalized cost information. The Cost of Attendance for government-sponsored students separately identifies the components covered by MOE sponsorship and the components for which the student is personally responsible.
3. No fee, charge, or cost is misrepresented, understated, or omitted from AIU's cost disclosures. A member of faculty or staff who makes materially inaccurate representations to prospective or enrolled students about the cost of attendance is in violation of this policy and of the institutional integrity standards under accreditation requirements.

Article 10: Student Financial Obligations and Rights

1. Student Obligations

By completing registration for any semester, a student accepts full financial responsibility for all tuition and fee charges arising from that registration. This obligation exists regardless of attendance, academic performance, or satisfaction with services. A student who completes registration but does not attend is still financially liable unless they have formally withdrawn before the tuition liability deadline.

2. Student Rights

Every student at AIU has the right to:

a. Receive clear, timely, and accurate billing statements through their institutional email and student portal
b. Access their full financial account history through the student portal at any time
c. Request a written itemization of any charge on their account from the Student Accounts Office
d. Challenge any charge that they believe to be in error, through the process in Article 10.3
e. Apply for financial hardship accommodation under Article 7
f. Receive refunds due to them within the timelines specified in Article 4
g. Be treated with respect and confidentiality in all financial account interactions

3. Dispute Resolution

A student who believes a charge on their account is incorrect must submit a written dispute to the Student Accounts Office within 30 days of the charge appearing on their account statement. The Student Accounts Office reviews the dispute and responds in writing within ten working days. Where the Student Accounts Office confirms the charge as correct, the student may escalate to the Director of Finance within ten working days of the Student Accounts Office response. The Director of Finance's decision is issued within ten working days and is final at the administrative level. A student who continues to dispute the outcome after exhausting the administrative process may file a grievance through the Student Affairs student complaint mechanism. All disputed charges that are the subject of a pending formal dispute are placed in a suspended status during the review; late payment fees do not accrue on disputed amounts during the review period.

Article 11: Advance Payment and Semester Registration Confirmation

1. To secure registration and course enrolment for each semester, all students — self-funded, sponsored, and scholarship holders, are required to make or confirm an advance payment before course selection is finalized:
   a. For Fall and Spring semesters: confirmed advance payment or valid Sponsorship Letter must be in place before course registration is finalized. Self-funded students who have not completed payment or a valid instalment arrangement by the end of three working days following course registration will have their registered courses automatically cancelled by the student management system.
   b. For Summer sessions: a confirmed advance payment or valid Sponsorship Letter must be in place before summer session registration is finalized.
   c. Newly admitted students must pay a non-refundable Registration Deposit (as specified in Article 3) before their enrolment is confirmed, regardless of whether they are self-funded or sponsored. This deposit is applied to the first semester's tuition.
2. A sponsored student whose Sponsorship Letter has been submitted and verified is not required to make an advance cash payment, the Sponsorship Letter serves as the advance confirmation.

Where the Sponsorship Letter does not cover all credit hours or fees for the semester, the student is responsible for the balance by the payment deadline.

Article 12: Postponing Registration - Continuing Students

A continuing student who wishes to defer enrolment for one or more semesters must apply for a registration postponement through the Registrar's Office before the payment deadline for the semester to be postponed. The following financial conditions apply:

a. If the student has not yet registered for courses and applied before the deadline, no tuition is charged and any advance payment already made is credited to the student's account for the following semester.
b. If the student has already registered for courses and applied before the Census Date (end of Add/Drop period), all amounts paid are carried forward as a credit to the following semester. No tuition liability is imposed.
c. If the student has registered for courses and applied after the Census Date, the student is liable for 100% of the tuition for all registered courses. No refund applies. This provision protects institutional planning and is consistent with standard accredited institution practice.
d. A postponement application does not automatically cancel enrolment. The student must formally request a leave of absence through Student Affairs in accordance with the Student Affairs policies.

Article 13: Absence from Class - No-Show Policy

Failure to attend a registered course does not constitute a withdrawal and does not trigger a refund. A student who registers for courses but does not attend is fully liable for the tuition charged for those courses. The only mechanism by which tuition liability for a course is reduced or eliminated after the semester begins is a formal withdrawal submitted in writing to the Registrar before the applicable deadline in the refund schedule (Article 4). Academic staff must not advise students that non-attendance is equivalent to withdrawal, this is a financial misrepresentation and a potential violation of FIN-002 Article 12.

Article 14: Dunning and Payment Follow-Up

The Student Accounts Office maintains a structured follow-up schedule for outstanding student balances. The schedule is automated through the student management system and supplemented by direct contact from Student Accounts staff:

Step	Trigger	Action
1	5 days before due date	Automated reminder by AIU institutional email and WhatsApp
2	Payment due date	Automated payment due reminder by email and WhatsApp; late payment fee begins to accrue from next business day
3	7 days after due date	Automated follow-up letter by email; Student Accounts staff direct call to student
4	15 days after due date	Student Accounts Head provides list of defaulters to Registrar and Student Affairs. LMS (Blackboard) access suspended within 5 working days if balance is not cleared. Financial Hold automatically activated: students cannot view grades, register for future courses, or access official documents.
5	End of semester	Director of Finance reviews all outstanding balances. Accounts with confirmed irrecoverable balances are referred to the President for a determination on collection or write-off. No grade credit or academic certificate is issued until the account is settled.

Bounced or dishonored payments: where a bank transfer, cheque, or online payment is returned or dishonored, a returned payment fee is applied (as specified in the Schedule of Fees) and the full balance is reinstated immediately. Following two instances of dishonored payments, the student is required to settle all future balances by cash, credit card, or direct bank transfer only; cheques and post-dated cheques are no longer accepted by that student.

Article 15: Academic Performance Discounts and Student Support Fund

1. Merit Admission Discount

A newly admitted undergraduate student who achieves a score of 90% or above on the Kuwait General Secondary Education Certificate (or equivalent) is eligible for a 50% reduction of tuition fees for the first semester of enrolment only. This discount: applies to tuition only, not to mandatory fees; is not applicable to students on full government sponsorship; is not combinable with any other discount or scholarship;

does not apply to transfer students; is reviewed and confirmed by the Admissions Office at the time of admission; and is applied automatically to the first semester invoice if the student is eligible.

2. Academic Distinction Discount

1. A continuing undergraduate student who achieves a Semester GPA above specified thresholds in the preceding semester is eligible for an Academic Distinction Discount, applied as a reduction on the following semester's tuition:
   - Semester GPA 3.90–4.00: 50% discount on tuition
   - Semester GPA 3.70–3.89: 35% discount on tuition
   - Semester GPA 3.50–3.69: 20% discount on tuition
2. Eligibility conditions for the Academic Distinction Discount: the student must have been enrolled in a minimum of 15 credit hours in the semester earning the qualifying GPA; the discount applies to tuition for the immediately following semester; the discount is not applicable to students on academic probation, on a final-semester leave, or withdrawing from the University; the discount is calculated and applied automatically by the Student Accounts Office at the start of the following semester; and the discount is not refunded in cash, even if the student subsequently withdraws it remains as a tuition credit for that semester only.
3. The Board Finance Committee reviews the Distinction Discount program annually and may adjust thresholds or conditions for future academic years, with at least 90 days' notice to enrolled students.

2. Sibling Discount

Where two or more siblings are concurrently enrolled at AIU in the same semester, a 10% discount on tuition is applied to the account of the sibling with the lower tuition charge. The discount applies to one sibling per family regardless of the number of siblings enrolled. Application conditions: the discount is not applied automatically and must be requested through the Student Accounts Office each academic year by presenting valid student ID cards for both siblings; the discount is adjusted proportionally if either sibling adds or drops courses after it has been applied; the discount is not applicable to students in graduate programs unless both siblings are in the same degree level; and if one sibling withdraws during the semester, the remaining sibling forfeits the discount for that semester.

3. Student Support Fund

AIU maintains a Student Support Fund (SSF) to provide need-based financial assistance to enrolled undergraduate students whose financial circumstances may prevent them from continuing their education. The SSF provides credit applied directly to the student's tuition account, it is not disbursed as cash. The following conditions govern the SSF:

a. Only undergraduate students in good academic standing (minimum CGPA of 2.0) are eligible to apply.

b. Newly admitted students may not apply for SSF during their first semester; they are eligible from their second semester onward.
c. Students on academic dismissal, optional withdrawal, registration termination, or full government sponsorship are not eligible.
d. Students may benefit from the SSF only once per academic year.
e. Applications must be submitted during the published application window each semester, with all required documentation. Incomplete applications are not considered.
f. A committee appointed by the VP for Administration and Finance reviews all applications and determines the level of assistance based on documented need. Submission of an application does not guarantee receipt of support.
g. SSF amounts did not apply to a student's tuition (for example, because a student subsequently receives a scholarship covering the same costs) must be returned to the SSF.

The SSF budget is established annually by the Board Finance Committee as a line item in the institutional budget. The Director of Finance reports on SSF utilization in the Annual Financial Report to the Board.

Article 16: Refund Processing Schedule and Bank Transfer Requirements

Refunds due to students or sponsors are processed on a cycle consistent with the institution's payment processing capabilities. Refunds for which all required documentation has been received are processed twice monthly: on the 15th and on the last working day of the month. Documentation received more than five working days before the processing date is included in that cycle; documentation received later is included in the following cycle.

a. Refunds are paid to the same party and through the same payment method as the original payment: refunds of student payments are returned to the student's bank account; refunds of government sponsorship payments are returned to the MoE or relevant government body; refunds of corporate or third-party sponsor payments are returned to the sponsor.
b. A student who has an outstanding balance on their account may not receive a cash refund of a credit balance until the outstanding balance is first deducted from the credit.
c. Refund requests must be submitted through the Student Accounts Office with the required documents, including proof of original payment. The Student Accounts Office does not issue refunds without a formal refund request.
d. Bank transfer refunds require the student to provide verified bank account details in Kuwait Dinars. Refunds to international accounts incur any bank transfer fees, which are deducted from the refund amount.
e. Priority in the refund processing queue is given to: students who have withdrawn from AIU; graduating students; and students who have received a scholarship after having already paid tuition.

Article 17: Records Retention and Confidentiality

All student financial account records, including billing statements, payment records, sponsorship letters, refund calculations, instalment plans, hardship accommodation records, hold logs, and dispute records, are maintained by the Student Accounts Office as official institutional records. Student financial records are retained for a minimum of ten years from the date of the student's graduation, withdrawal, or last semester of enrolment. Access to student financial records is restricted to the student, the Director of Finance, authorized Student Accounts Office staff, the Registrar, the MOE (for sponsored students), and other parties with a documented legitimate need. Student financial information is never disclosed to third parties without the student's written consent or a valid legal requirement, in accordance with applicable Kuwait data protection law.

Procedures

The following procedures govern the operational administration of this policy. All forms referenced below are maintained by the Student Accounts Office and published on the Finance Department's section of the AIU website.

Semester Billing and Payment Processing

1. At the beginning of each semester, the Student Accounts Office generates tuition and fee charges for all registered students based on their enrolled credit hours and program, using the PUC-approved rates in Article 2 and the mandatory fees in Article 3.
2. Charges are posted to each student's account, and the Tuition and Fee Notice is dispatched to the student's AIU institutional email address no later than three working days after the close of the Add/Drop period.
3. Students verify their account balance through the AIU student portal. Discrepancies are reported to the Student Accounts Office immediately. All adjustments arising from legitimate course changes are processed within three working days.
4. Payment is due by the payment deadline published in the academic calendar. Students paying by bank transfer must ensure the transfer is confirmed and reference their student ID number. Bank transfers without a reference are not processed until the Student Accounts Office identifies the sender.
5. Instalment plan applications are accepted through the student portal during the published application window. Approved plans are activated upon receipt of the first instalment payment.

Sponsorship Letter Processing

1. Sponsored students submit their MOE Sponsorship Letter to the Student Accounts Office, in person or via official institutional email from the MOE portal, no later than the end of the first week of classes.

2. The Student Accounts Office verifies the letter's authenticity through the MOE electronic system and records the sponsorship on the student's financial account within two working days.
3. After the Add/Drop period, the Student Accounts Office prepares the official invoice to the MOE reflecting the student's final registered credit hours at the PUC-approved rate, and submits it through the MOE billing channel.
4. Any student whose Sponsorship Letter does not arrive by the end of Week 2 receives a written notice that they have been reclassified as a self-funded student for that semester and the payment deadline is applied.
5. When MOE payment is received, it is posted to the student's account within three working days of receipt.

Withdrawal and Refund Processing

1. A student seeking to withdraw from a course or from AIU submits the completed Withdrawal Form to the Registrar. The Registrar timestamps the form and forwards it to the Student Accounts Office on the same working day.
2. The Student Accounts Office calculates the refund due based on the refund schedule in Article 4, using the official withdrawal date (the date the Registrar received the completed form).
3. For self-funded students, the refund is processed to the original payment source within fifteen working days of the withdrawal date. For sponsored students, the refund calculation is shared with the MOE within five working days, and any excess payment is remitted to the MOE within thirty working days.
4. The refund amount is communicated to the student in writing upon processing. A student who disputes the refund calculation follows the dispute process in Article 10.3.

Financial Hold Administration

1. Financial holds are applied automatically by the student management system on the first working day after the payment deadline where a student's balance is above KWD 0 and no valid instalment plan or Sponsorship Letter is in place.
2. The student is notified by AIU institutional email on the day the hold is applied, with a statement of the outstanding balance and instructions for clearing the hold.
3. When a student pays in full or presents a valid sponsorship confirmation, the Student Accounts Office lifts the hold within two working days, and the student receives written confirmation of the removal.
4. Where a student disputes a financial hold, they contact the Student Accounts Office in writing. The hold remains in place during the dispute process unless the Director of Finance determines that the charge in dispute is sufficiently uncertain to warrant a temporary suspension of hold consequences pending resolution.

Annual Fee Schedule Publication

1. By 31 May each year, the Director of Finance presents the proposed Schedule of Tuition and Fees for the following academic year to the Board Finance Committee. The Schedule includes all changes from the current year with justification.
2. Upon Board approval (January Board meeting), the Director of Finance publishes the new Schedule of Fees on the AIU website, in the Student Handbook (digital version), and through Admissions materials. Publication must occur no later than 120 days before the first day of the first semester to which the new rates apply.
3. A summary of changes is distributed to all currently enrolled students through their institutional email within five working days of Board approval.
4. Any PUC submission required for tuition rate changes is prepared by the Director of Finance and submitted to the PUC before the new rate is published to students.

Dunning and Outstanding Balance Follow-Up

1. The Student Accounts Office maintains the dunning schedule in Article 14 through the student management system. Automated notifications (Steps 1 and 2) require no manual intervention. Steps 3 through 5 require Student Accounts staff action and management oversight.
2. At the 15-day point (Step 4), the Student Accounts Head provides the Registrar and Dean of Student Affairs with the full list of students with outstanding balances exceeding KWD 50. The Registrar immediately flags these accounts for LMS suspension. The student management system activates Financial Holds automatically.
3. At the end of each semester, the Director of Finance reviews all outstanding balances, identifies accounts in arrears for more than 90 days, and reports to the President on recommended collection action or provision for bad debt. No debt is written off without President authorization.
4. The returned payment fee is assessed automatically when a payment is dishonored. After two dishonored payments from the same student, the system flags the account to reject cheque payment mode. All future transactions are restricted to cash, credit card, or bank transfer.

Discount and Student Support Fund Administration

1. At the start of each semester, the Student Accounts Office runs an automatic eligibility check for the Academic Distinction Discount against Registrar GPA records. Eligible students' accounts are credited before billing statements are issued. Any eligibility dispute is resolved by the Registrar before the billing deadline.
2. Sibling Discount requests are submitted with both student ID cards during the first two weeks of the semester and applied within three working days of the verified request.
3. The SSF application window is published at least four weeks before the application deadline. Applications are submitted through the student portal. The SSF Review Committee meets within two weeks of the deadline and results are communicated within five working days. The SSF credit is applied to the student's account in the same semester as the application.

All discount and SSF records are maintained as official financial records and reported in aggregate in the Annual Financial Report to the Board Finance Committee.

Board Chair Signature	Signature: ________________________ Date: __________
President Signature	Signature: ________________________ Date: __________

	Policy Main Title	Related-Party Transactions and Owner-Affiliated Procurement Policy	Effective Date	14/06/2026
	Category	Finance	Last Review date	
	Policy Number	FIN-004	Next Review date	14/06/2028
	Responsible Entity	Director of Finance	Approved By	Board of Trustees

Overview

American International University is a privately owned institution. This fact does not disqualify it from accreditation, private ownership and genuine academic quality are fully compatible. What Accrediting agency requires is that the ownership structure does not compromise the institution's independence, that the Board of Trustees governs genuinely rather than ceremonially, and that the institution's financial resources flow toward its educational mission rather than toward the benefit of the ownership group.

The most direct threat to these requirements is the related-party transaction: a financial arrangement between AIU and an entity connected to the ownership group, a Board member, or a senior administrator. Such transactions are inherently susceptible to terms that favor the related party, above-market rents, inflated management fees, preferential contracts, below-cost services, in ways that divert institutional resources from teaching, research, and student services and undermine the independence of institutional governance.

This policy establishes the governance framework in AIU's finance policy suite precisely because related-party transactions demand it. Every such transaction, of any amount, must be disclosed. Every material transaction must be independently reviewed. Every approval must occur through a process from which the related parties are excluded. Every transaction must be fully disclosed in AIU's audited financial statements and available to Accrediting agency upon request.

This policy is complementary to, and should be read alongside, GOV-002 (Institutional Conflict of Interest Policy), FIN-002 (Budget Governance Policy), and FIN-001 (Financial Stability Policy). Where those policies address conflict-of-interest principles in general, this policy addresses the specific, highest-stakes category of transaction that arises from AIU's ownership structure.

Scope

This policy applies to every financial transaction, arrangement, agreement, commitment, or proposed transaction between AIU and any Covered Party as defined in Article 2. It applies regardless of the value of the transaction, the nature of the relationship, or the initiating party. It applies to one-time transactions and to recurring arrangements. It applies to transactions initiated by the Covered Party and to those initiated by AIU. There is no minimum value below which this policy does not require at least a disclosure obligation.

This policy applies to all members of the Board of Trustees, the ownership group, all senior administrators, all faculty and staff who are related persons as defined below, and any entity in which a Covered Party holds an ownership interest, management role, directorship, or employment. The policy applies to new transactions and to any material amendment, extension, or renewal of existing transactions.

Purpose

The purposes of this policy are to:

- Establish the governance framework within which AIU identifies, discloses, reviews, approves, monitors, and publicly reports related-party transactions
- Define who constitutes a Covered Party and what constitutes a Related-Party Transaction at AIU, with sufficient specificity to prevent evasion through structural arrangements
- Implement the tiered approval and review process calibrated to the risk level of each transaction category
- Mandate independent market valuation for all facility leases, management fees, and material procurement from owner-connected entities — the three categories most commonly cited by Accrediting agency reviewers
- Establish and maintain the Annual Related-Party Register as the institutional instrument through which the Board, the external auditor, and Accrediting agency can verify that all related-party transactions are disclosed and appropriately governed
- Prohibit the use of AIU's financial resources to benefit the ownership group through non-arm's-length arrangements
- Demonstrate AIU's compliance with institutional integrity, sound and ethical business practices, institutional autonomy, and independent Board governance
- Provide a documented, Accrediting agency-accessible evidence trail for all related-party governance decisions

Definitions and Abbreviations

Covered Party: Any person or entity whose connection to AIU's ownership group, Board, or senior leadership triggers the disclosure and approval requirements of this policy. Covered Parties include: (1) any Founder, owner, or shareholder of AIU or of any entity that owns or controls AIU; (2) any member of the Board of Trustees of AIU; (3) any Immediate Family Member of any person in categories (1) or (2); (4) the President, any Vice President, any Dean, or the Director of Finance; (5) any Immediate Family Member of any person in category (4); and (6) any entity in which any person in categories (1) through (5) holds an ownership interest of 5% or more, a management role, a directorship, or employment.

Immediate Family Member: A Covered Party's spouse; parents; children (whether natural, adopted, or step); siblings; parents-in-law; children-in-law; siblings-in-law; and any other member of the Covered Party's household who is financially dependent on or supporting the Covered Party. The definition applies symmetrically, a Covered Party is also an Immediate Family Member of each of their relatives, for purposes of this policy.

Founder: Any person who established or co-established AIU and who retains an ownership interest, governance role, or financial benefit from the institution, whether or not currently serving as a Board member.

Related-Party Transaction: Any transaction, agreement, arrangement, commitment, lease, loan, guarantee, management fee, intellectual property license, service contract, employment arrangement, gift, or any other financial dealing of any kind in which (a) AIU is or will be a participant and (b) a Covered Party has or will have a direct or indirect financial interest. The definition includes series of individually immaterial transactions that are materially significant in aggregate.

Arm's-Length Transaction: A transaction conducted between unrelated parties, each acting in their own self-interest, on terms that would be available in the open market between unrelated parties. An arm's-length transaction is the benchmark against which all Related-Party Transactions are assessed under this policy.
Independent Market Valuation: A written assessment of the fair market value or market-rate terms of a proposed Related-Party Transaction, conducted by a qualified professional (licensed appraiser, chartered accountant, or recognized industry specialist) who has no connection to any Covered Party involved in the transaction and no existing or proposed engagement with AIU other than the valuation itself. The cost of the Independent Market Valuation is borne by AIU.
Excess Benefit Transaction: A Related-Party Transaction in which the value or consideration received by the related party exceeds the fair market value of the goods, services, or other benefit received by AIU. An Excess Benefit Transaction is categorically prohibited by this policy.
Management Fee: Any periodic payment made by AIU to an entity for the provision of management, administrative, operational, consultancy, or oversight services, where the recipient entity is connected to the ownership group. Management fees are a high-risk related-party transaction category and are subject to the most stringent provisions of this policy.
Annual Related Party Register: A permanent institutional register maintained by the Director of Finance, reviewed by the Board Audit and Risk Committee, and available to the external auditor and Accrediting agency, which records every Related-Party Transaction in each fiscal year with the required disclosures.
Board Audit and Risk Committee: A standing committee of the Board of Trustees comprising at least three members, a majority of whom must be independent (i.e., having no connection to the ownership group or to any entity with a financial relationship with AIU). The Committee is the primary Board-level oversight body for this policy.
Diversion: Any use of AIU's financial resources through a Related-Party Transaction or otherwise that transfers value from the institution's educational mission to the personal benefit of the ownership group, Covered Parties, or their connected entities. Diversion is a fundamental violation of accreditation standards and of this policy.
Independent Board Member: A Trustee who has no employment, financial, familial, or material personal relationship with the Founders, the ownership group, or any entity in a financial relationship with AIU. Independent Board members are identified annually by the Board Chair and their independence status is documented in Board records.

Policy

Article 1: Governing Principles

The following principles govern every aspect of this policy. They are not aspirational; they are operational requirements against which every related-party governance decision must be tested.

a. Mission primacy: AIU's financial resources exist to serve its educational mission. Every Related-Party Transaction must be assessed against the question: does this transaction serve the educational mission, or does it transfer resources from that mission to the benefit of the ownership group? No transaction that fails this test may be approved.

b. Mandatory disclosure: There is no category of Related-Party Transaction that does not require at minimum a disclosure in the Annual Related-Party Register. Disclosure is not optional, not discretionary, and not subject to any de minimis exception that eliminates the obligation to record and report.

c. Arm's-length benchmark: Every Related-Party Transaction must be assessed against the arm's-length standard. AIU must receive fair market value for what it gives and pay no more than fair market value for what it receives. Any deviation from the arm's-length standard is presumed to be an Excess Benefit Transaction unless proven otherwise through an Independent Market Valuation.

d. Board independence in approval: Related-party transactions of any material value require approval by the Board or a Board committee, with all Covered Parties connected to the transaction excluded from deliberation and voting. A Board that is numerically dominated by owner-affiliated members cannot independently approve related-party transactions; Accrediting agency requires that independent members form a majority of those approving any such transaction.

e. Prohibition on diversion: Any arrangement through which AIU's funds are transferred to the ownership group without genuine equivalent value to the institution is a diversion and is unconditionally prohibited. This includes above-market facility rents paid to owner-connected entities, management fees for services that are not actually delivered at the contracted level, and any arrangement that functions economically as a return of capital to the founders under the form of a service contract.

f. Full and public disclosure: Every material Related-Party Transaction must be fully disclosed in AIU's audited annual financial statements. The disclosure must identify the related party and their relationship to AIU, describe the nature and terms of the transaction, state the value, and confirm that an Independent Market Valuation was obtained. Accrediting agency reviewers consult the audited financial statements as a primary source for assessing related-party governance, incomplete or inadequate footnote disclosure is a red flag.

g. Prohibition on pre-commitment: No negotiation, agreement in principle, commitment, or payment may be made in connection with a Related-Party Transaction before the required disclosure, independent review, and Board approval have been completed. The President may not commit to a related-party arrangement verbally or in writing before Board approval.

Article 2: Categories of Related-Party Transaction

1. Related-Party Transactions at AIU fall within the following categories. The category determines the level of scrutiny, the approval body, and the disclosure requirements applicable to the transaction.

Transaction Category	Examples	Governance Treatment
Category A Ownership Group Transactions	Facility lease from an entity owned by a Founder or Founder family member; management fee to an entity in which an owner holds equity; loans from the ownership group; intellectual property licenses from ownership-connected entities	Highest scrutiny: mandatory pre-disclosure, independent market valuation, full Board approval with related-party recusal, Accrediting agency disclosure, audited financial statement footnote
Category B Board Member Connected Transactions	Procurement from a company on whose board an AIU Trustee sits; consulting engagement with a Trustee's firm; real estate or equipment from a Trustee-connected entity	High scrutiny: mandatory pre-disclosure, independent pricing verification, Board Audit and Risk Committee approval with recusal, audited financial statement footnote
Category C Senior Administrator Connected Transactions	Procurement from a company in which the President, VP, or Dean holds equity or employment; contracts with an Immediate Family Member of a senior administrator	Elevated scrutiny: mandatory pre-disclosure to President and Board Chair, independent pricing verification, Board Finance Committee approval, personnel file notation
Category D Employment of Connected Persons	Hiring of an Immediate Family Member of an owner, Trustee, or senior administrator in any capacity	Mandatory pre-disclosure; independent HR review with competitive selection process; President approval; Board notification
Category E Sponsored or Subsidized Transactions	Below-market facility use; services provided to the ownership group at reduced rates; preferential contracts awarded to AIU by owner-affiliated entities	Mandatory disclosure and independent valuation of the subsidy; Board approval; disclosure of subsidy value in audited financial statements

2. Transactions that are not clearly classifiable within a single category are referred to the Director of Finance and the Board Audit and Risk Committee Chair for a joint category determination before any other steps are taken. The Director of Finance maintains a log of all such determinations.

Article 3: Tiered Approval Thresholds

1. The following thresholds determine the approval process required for each Related-Party Transaction. Thresholds are applied on an annual aggregate basis with each related party, not on a per-transaction basis. Attempts to structure transactions below thresholds to avoid higher approval tiers are prohibited and treated as a single transaction for approval purposes.

Transaction Tier	**Threshold**	**Approval and Review Process**
Tier 1 De Minimis	Annual aggregate value with a single related party below KWD 500	Disclosure in the Annual Related-Party Register only; no pre-approval required; included in audited financial statement footnote if material in aggregate
Tier 2 Moderate	Annual aggregate value KWD 500 to KWD 5,000	Disclosure; Director of Finance pricing verification; President approval; Board Finance Committee notification; financial statement footnote
Tier 3 Significant	Annual aggregate value KWD 5,000 to KWD 25,000	Disclosure; independent pricing verification by a qualified third party; Board Audit and Risk Committee approval with related-party recusal; financial statement footnote with description
Tier 4 Material	Annual aggregate value above KWD 25,000 or any facility lease or	Disclosure; independent market valuation; full Board approval with related-party recusal; public-register entry; Accrediting agency notification

	management fee regardless of amount	where required; audited financial statement footnote with full description of terms, parties, and value
ANY Employment of Related Person	Any value	Independent competitive recruitment process; Board notification regardless of salary level; no special treatment in compensation

2. The threshold tiers are assessed annually at the time of each transaction and at the time of the year-end Register review. Where a transaction, individually below a tier threshold, pushes the annual aggregate above a tier threshold, the higher tier applies prospectively from the point of breach, and the required approval for the higher tier must be obtained before the next transaction in the series proceeds.

Article 4: Specific Provisions for High-Risk Transaction Types

1. Facility Leases and Real Property Arrangements

Any lease, sublease, license, or other arrangement under which AIU occupies, uses, or pays for real property connected to a Covered Party is subject to the following specific requirements, regardless of the lease value:

a. An Independent Market Valuation of the fair market rental rate for the relevant property, conducted by a licensed appraiser, must be obtained before any lease agreement is executed, renewed, or materially modified. The valuation must reflect the current market rate for comparable space in the relevant location as of the date of the transaction.
b. The rent payable by AIU must not exceed the independently verified fair market rate. If the appraiser determines that the proposed rent is above market, the transaction must be renegotiated before proceeding.
c. All facility leases with Covered Parties require Tier 4 treatment (full Board approval) regardless of amount, because of the inherent and structural risk that owner-controlled facilities are used as a mechanism to extract value from the institution through rents that are nominally within market range but systematically disadvantageous to AIU over time.
d. Lease terms must be no less favorable to AIU than terms available from unrelated parties for comparable space. AIU must retain the right to terminate with reasonable notice (not exceeding 12 months) and must not enter into lease arrangements that restrict AIU's ability to relocate.

e. A comparative market analysis, showing at least two comparable unrelated-party alternatives considered, must accompany every new facility lease approval submission.

2. Management Fees and Administrative Service Charges

Any payment from AIU to a Covered Party for management, administrative, consultancy, oversight, branding, IT, or any other services is a management fee for purposes of this policy and is subject to the following specific requirements:

a. Management fees require Tier 4 treatment regardless of amount. No management fee arrangement with a Covered Party may be entered into, renewed, or modified without full Board approval following Independent Market Valuation.
b. The services covered by the management fee must be specifically, contractually defined. Vague or broadly described services (general management support, oversight, strategic advice) are not acceptable bases for a management fee without a detailed service schedule.
c. AIU must receive demonstrable equivalent value for every management fee paid. The Director of Finance reviews the delivery of contracted services against the management fee at least semi-annually and reports to the President for the Board Audit and Risk Committee. Where contracted services are not being delivered at the agreed standard, payment is withheld pending resolution.
d. An Independent Market Valuation must confirm that the fee rate is consistent with what unrelated third-party service providers would charge for equivalent, specified services.
e. Management fees must be disclosed separately from other related-party transactions in the audited financial statements, with a description of the services covered, the parties, the fee rate, and confirmation of independent review.

3. Loans, Guarantees, and Financial Instruments

1. Any loan to or from a Covered Party, any guarantee provided by a Covered Party on behalf of AIU, and any financial instrument involving a Covered Party requires:
   a. Full Board approval regardless of amount, with all connected Covered Parties recused
   b. Independent legal review of the terms and conditions before execution
   c. Disclosure of the full terms (principal, interest rate, repayment schedule, security, and any rights of the lender that could affect institutional governance or operations) in the audited financial statements
   d. Confirmation that no term of the loan or guarantee gives the lender any authority over AIU's academic, operational, or financial decisions as a condition of the loan
2. Loans from the ownership group to AIU must carry interest rates consistent with market rates for comparable debt instruments. Below-market loans that have the effect of creating a financial obligation that is difficult to repay at scale are subject to the same Excess Benefit analysis as any other related-party transaction.

4. Intellectual Property Licenses and Technology Arrangements

Any arrangement under which AIU uses intellectual property, including software, trademarks, educational content, branding, or technology, owned or controlled by a Covered Party must be independently valued and approved at Tier 4. Licensing arrangements must carry terms no less favorable to AIU than terms available from unrelated parties. The institution must not be restricted from transitioning to alternative providers of equivalent services or technology.

5. Employment of Covered Persons

Employment of any Immediate Family Member of a Founder, Board Trustee, or senior administrator at AIU is subject to the following requirements:

a. The position must be openly advertised and filled through a competitive recruitment process conducted by the HR Department, under the oversight of the VP Administration. The hiring process must document that other qualified candidates were considered.
b. The salary and compensation for any position held by an Immediate Family Member must be consistent with the approved salary scale for the relevant grade and must not include any premium, allowance, or benefit not available to other employees in equivalent roles.
c. The appointment must be notified to the Board of Trustees through the Board Chair before it takes effect.
d. No Immediate Family Member may be placed in a reporting line that creates a supervisory relationship with any other Covered Party. The related person may not report to, or be supervised or evaluated by, a Covered Party to whom they are related.
e. No person may receive employment at AIU as consideration, quid pro quo, or condition of any financial arrangement between AIU and a Covered Party.

6. Transactions Not at Arm's Length - Excess Benefit Determination

Where the Director of Finance or the Board Audit and Risk Committee determines, based on an Independent Market Valuation or other evidence, that a Related-Party Transaction was or is being conducted on terms that favor the Covered Party to an extent that constitutes an Excess Benefit Transaction, the following steps are mandatory:

a. The transaction is immediately suspended pending full Board review.
b. The Director of Finance documents the excess benefit amount and presents it to the President for the Board Audit and Risk Committee at its next meeting or within ten working days, whichever is sooner.
c. The Board determines whether to renegotiate the transaction, terminate it, or require the Covered Party to reimburse the excess benefit amount to AIU.
d. The outcome of the Board's determination is recorded in Board minutes and disclosed in the Annual Related-Party Register and in the audited financial statements.
e. Where the Excess Benefit Transaction has already been fully or partially executed, the Board considers whether to make a public disclosure, notify Accrediting agency, or take any other action required to protect the institution's accreditation status.

Article 5: Annual Related-Party Register

The Director of Finance maintains the Annual Related-Party Register as a permanent institutional record and primary governance instrument under this policy. The Register is a living document updated throughout the year as new Related-Party Transactions arise or are modified.

1. Register Format

a. The Register documents every Related-Party Transaction in each fiscal year and includes the following information for each entry:

Register No.	**Related Party Name & Relationship**	**Nature of Transaction**	**Annual Value (KWD)**	**Approval Authority**	**Disclosed in Audit**
[To be completed]	*[To be completed]*	*[To be completed]*	*[To be completed]*	*[To be completed]*	*[To be completed]*

b. The Register also includes for each entry: the date of Board approval and the approving body; whether an Independent Market Valuation was obtained and the name of the valuation provider; whether the transaction is reflected in the audited financial statements and the relevant footnote reference; and any monitoring or compliance conditions imposed by the Board.

2. Register Access and Oversight

The Register is maintained by the Director of Finance in secure institutional records. Access is restricted to Board of Trustees, the Board Audit and Risk Committee, the President, and the external auditor. The Register is provided to Accrediting agency upon request and must be current as of the date of any such request. A summary of Register entries, sufficient for oversight purposes but appropriately protecting confidential commercial information, is presented to the full Board annually at the Board meeting at which the audited financial statements are reviewed.

3. Register Review Cycle

The Board Audit and Risk Committee reviews the Register at each of its regular meetings, not less than twice per fiscal year. At the close of each fiscal year, the Director of Finance produces a year-end Register summary confirming: all transactions entered during the year; all approvals obtained; all Independent Market Valuations completed; all related-party disclosures included in the audited financial statements;

and any outstanding compliance matters. The year-end summary is presented to the full Board and retained as a permanent institutional record.

Article 6: Annual Disclosure Obligations of Covered Parties

1. Every Covered Party must complete and submit an Annual Related-Party Disclosure Form to the Board Chair (for Board members and owners) or to the President (for senior administrators), by 31 August each year and within 30 days of assuming any new role that makes them a Covered Party. The Annual Disclosure Form requires each Covered Party to:
   a. Identify all entities, companies, partnerships, trusts, and other vehicles, in which the Covered Party holds an ownership interest of any percentage, a directorship, an employment role, or a management appointment
   b. Identify all existing or proposed transactions between those entities and AIU
   c. Identify all Immediate Family Members employed at AIU or receiving any payment from AIU
   d. Identify any proposed arrangement not yet implemented that could constitute a Related-Party Transaction
   e. Certify that the disclosure is complete and accurate to the best of the disclosing party's knowledge
2. A Covered Party who discovers a new potential conflict or Related-Party Transaction after submitting their annual form must submit an updated disclosure within 30 days of the discovery, or immediately where the transaction requires Board approval before it can proceed.
3. Failure to make a timely and complete annual disclosure is a breach of governance obligation for Board members and a breach of the employment contract and this policy for senior administrators. Both consequences may result in removal from position or employment.

Article 7: Recusal Requirements

1. A Covered Party whose interests are connected to a Related-Party Transaction under consideration must not:
   a. Participate in any deliberation, discussion, or analysis of the transaction by any Board committee or the full Board
   b. Be present in any meeting room, call, or electronic forum during any portion of the Board's deliberation on the transaction — not merely absent from the vote
   c. Receive any information about the deliberation other than the final outcome, unless there is a specific need to answer a question from independent members about the factual terms of the transaction, in which case the response must be recorded in the minutes
   d. Vote on the transaction
   e. Be counted in the determination of quorum for the purposes of the vote on the transaction

2. Recusal is self-declared and recorded. A Covered Party who has any doubt about whether they have a conflict must declare it to the Board Chair before the meeting at which the matter will be considered. The Board Chair's determination on whether recusal is required is final. All recusal declarations and determinations are recorded in Board minutes.
3. Where recusals reduce the number of independent Board members available to vote below three, the transaction must be deferred to a meeting at which independent quorum can be achieved, or the Board must commission a fully independent review panel consisting of at least three external professionals with no relationship to any party before proceeding.

Article 8: Disclosure in Audited Financial Statements

1. Every material Related-Party Transaction must be disclosed in the footnotes to AIU's audited annual financial statements in accordance with applicable accounting standards. Consistency with International Financial Reporting Standards (IFRS), International Accounting Standard 24 (IAS 24-Related Party Disclosures), or applicable Kuwaiti accounting standards is required. The disclosure must include:
   a. The nature of the related-party relationship, identifying the relationship type (Founder, Board member, Immediate Family Member, connected entity) without necessarily identifying specific individuals by name where privacy permits
   b. A description of the transaction, its nature, the goods or services involved, the contractual terms, and the duration
   c. The value of the transaction in the relevant fiscal year and any outstanding balances
   d. Confirmation that an Independent Market Valuation was obtained (for Tier 3 and Tier 4 transactions) and whether the transaction was found to be at arm's length
   e. The basis on which the Board determined that the transaction was in AIU's best interests
2. The external auditor must confirm to the Board Audit and Risk Committee that all material Related-Party Transactions have been identified, properly disclosed, and are consistent with the Annual Related-Party Register. Any discrepancy between the Register and the audited disclosures must be resolved before the financial statements are finalized.
3. The inadequacy of related-party disclosures in audited financial statements, through omission, incomplete description, or failure to identify the nature of the relationship is a material misstatement and a potential qualification of the audit. Accrediting agency views such misstatements as evidence of institutional integrity failure under accreditation requirements.

Article 9: Prohibited Transactions

The following transactions are unconditionally prohibited and may not be approved by any authority level at AIU:

a. Any facility lease, management fee, procurement contract, or other financial arrangement that is designed to extract institutional resources for the personal benefit of the ownership group, whether structured as a related-party transaction or otherwise
b. Any arrangement in which AIU pays a management fee to the ownership group, or to an entity connected to the ownership group, for services that are not specifically defined, demonstrably delivered, and independently verified to represent fair market value
c. Any Related-Party Transaction that gives a Covered Party authority over, or influence on, AIU's academic programs, faculty employment, curriculum, accreditation submissions, or any other matter that falls within the jurisdiction of institutional academic governance
d. Any arrangement under which a Covered Party receives AIU property, equipment, intellectual property, data, student records, or other institutional assets without fair market compensation
e. Any loan from AIU to a Founder, Board member, senior administrator, or their Immediate Family Members, regardless of interest rate or repayment terms AIU does not make personal loans to Covered Parties under any circumstances
f. Any transaction that requires AIU to enter into a side agreement, letter of understanding, or informal arrangement not disclosed to the Board, not recorded in the Annual Related-Party Register, and not reflected in the audited financial statements
g. Any modification, extension, or renewal of an existing Related-Party Transaction that is structured to avoid triggering a higher approval tier or additional disclosure obligations
h. Any transaction, direct or indirect, with a current or former Covered Party within three years of their departure from their Covered Party role, unless the transaction would have been permissible under this policy at the time of their departure and is disclosed in the Register

Article 10: Accrediting agency **Notification and Evidence**

1. AIU's obligation to notify Accrediting agency of significant institutional changes, as required by Accrediting agency substantive change policies, includes situations where a material Related-Party Transaction arises that could affect the institution's financial stability, Board independence, or institutional integrity. Specifically, AIU must notify its Accrediting agency Liaison when:
   a. A new facility lease with the ownership group is entered into or an existing lease is materially modified (including rent increases of more than 10% in any 12-month period)
   b. A new management fee arrangement with any Covered Party is established
   c. Any Related-Party Transaction exceeds KWD 100,000 in annual value individually or in aggregate with the same related party
   d. Any Related-Party Transaction gives rise to a Board determination of an Excess Benefit Transaction
   e. Any material changes in the ownership structure of AIU or in the identity or financial interests of Covered Parties occurs
2. AIU maintains a accreditation-ready evidence file for this policy that includes: the current Annual Related-Party Register; the Independent Market Valuations obtained for all Tier 3 and Tier 4

transactions in the most recent three fiscal years; the audited financial statement footnotes disclosing related-party transactions; and Board minutes documenting the approval of all material Related-Party Transactions. This evidence file is reviewed and updated by the Director of Finance at the close of each fiscal year and is available for Accrediting agency inspection within five business days of any request.

Article 11: Violations and Consequences

1. Violations of this policy are treated with the utmost seriousness because of their direct implications for AIU's accreditation status. The following are violations of this policy:
   a. Failure to disclose a Related-Party Transaction before it proceeds
   b. Proceeding with a Related-Party Transaction before obtaining the required approval
   c. Providing incomplete, inaccurate, or misleading information in a disclosure
   d. Participating in deliberation or voting on a Related-Party Transaction without recusal, where recusal is required
   e. Executing any prohibited transaction under Article 9
   f. Failure to submit an Annual Disclosure Form by the required deadline
   g. Structuring a transaction to avoid triggering a higher approval tier
2. Consequences of violations depend on the role of the violating party and the severity of the violation, and include:
   - For Board members: mandatory report to the full Board; formal censure; required training; removal from Board committees; and, in serious cases, removal from the Board by due process
   - For senior administrators: formal written reprimand retained in personnel file; required remedial training; suspension from involvement in financial governance; and, in serious cases, termination for cause under applicable employment policy
   - For the institution: mandatory Accrediting agency notification; engagement of external governance review; and where a prohibited transaction has already occurred, required corrective action including restitution of diverted funds and enhanced Board oversight
3. Retaliation against any person who reports a suspected violation of this policy in good faith is itself a violation of this policy and is subject to the protections and remedies of GOV-003 (Whistleblower Protection Policy).

Procedures

The following procedures govern the administration of this policy.

Annual Disclosure Form - Collection and Review

1. The Board Secretary (for Board members) and the Director of Finance (for senior administrators) distribute the Annual Related-Party Disclosure Form to all Covered Parties by 1 July each year.

2. Completed forms are returned by 31 August. The Director of Finance reviews all submitted forms against the previous year's Annual Related-Party Register and identifies any new or modified transactions requiring Board action.
3. The Director of Finance presents a summary of disclosed transactions and recommended approval pathways to the Board Audit and Risk Committee at its October meeting.
4. Any Covered Party who fails to submit a form by 31 August receives formal notice from the Board Chair (for Board members) or the Director of Finance (for administrators) requiring submission within five working days. Non-submission is reported to the Board Chair and is addressed at the next Board meeting.

Transaction Approval - Pre-Commitment Process

1. Before any negotiation, agreement in principle, or commitment regarding a proposed Related-Party Transaction proceeds, the relevant Covered Party or the Director of Finance notifies the President in writing of the proposed transaction, identifying the parties, nature, and estimated value.
2. The Director of Finance classifies the transaction by tier (Article 3) and category (Article 2) and notifies the relevant Covered Party of the required approval process and timeline.
3. For Tier 3 and Tier 4 transactions, the Director of Finance commissions an Independent Market Valuation before the transaction proceeds to the President for Board approval. The Director of Finance maintains a list of approved independent valuers with no conflict with any Covered Party.
4. Once the Independent Market Valuation is complete, the Director of Finance prepares the President submission package to the Board, including the valuation report, the proposed contract or arrangement, a summary of the business case, and identification of all Covered Parties requiring recusal.
5. The Board Audit and Risk Committee (Tier 3), or full Board (Tier 4) considers the submission at its next scheduled meeting, with all Covered Parties excluded from the room. A quorum of independent members must be present. The decision is recorded in minutes.
6. If approved, the Director of Finance records the transaction in the Annual Related-Party Register and ensures the arrangement is reflected in the appropriate budget lines. If rejected, the Director of Finance notifies the proposing party and records the rejection in the Register.

Annual Related-Party Register - Maintenance and Year-End Close

1. The Director of Finance updates the Annual Related-Party Register in real time as transactions are approved, modified, or closed during the fiscal year.
2. At the close of each fiscal year, the Director of Finance conducts a comprehensive register review comparing all entries against the ledger of actual payments made and commitments entered. Any discrepancy is investigated and resolved before the year-end summary is presented to the Board.
3. The year-end Register summary is presented to the Board Audit and Risk Committee and then to the full Board at the meeting at which the audited financial statements are reviewed.

4. The external auditor receives a copy of the Register at the commencement of each audit. Any Related-Party Transaction identified by the auditor that is not in the Register triggers an immediate investigation by the Director of Finance and is reported to the President for the Board Audit and Risk Committee.
5. The current Register and all prior-year Registers are retained as permanent institutional records, available to Accrediting agency within five business days of any request.

Monitoring of Existing Related-Party Arrangements

1. The Director of Finance monitors all ongoing Related-Party Transactions against the terms approved by the Board. Semi-annual compliance reports are presented to the Board Audit and Risk Committee confirming that services, payments, and conditions are consistent with approved arrangements.
2. At lease renewal, contract renewal, or any point of material modification, the transaction is treated as a new Related-Party Transaction and the full approval process in Procedure 2 is followed, including a fresh Independent Market Valuation.
3. Any Covered Party who identifies a change in the terms or delivery of an existing Related-Party Transaction must notify the Director of Finance within 10 working days. Unilateral modifications to Related-Party Transactions without Director of Finance notification are prohibited.
4. The Director of Finance flags any Related-Party Transaction that has continued beyond its approved term without formal renewal, and reports it to the Board Audit and Risk Committee as a priority compliance matter.

Board Chair Signature	Signature: ________________________ Date: __________
President Signature	Signature: ________________________ Date: __________

	Policy Main Title	Procurement and Vendor Management Policy	Effective Date	14/06/2026
AIU AMERICAN INTERNATIONAL UNIVERSITY الجامعة الأمريكية الدولية	Category	Finance	Last Review date	
	Policy Number	FIN-005	Next Review date	14/06/2029
	Responsible Entity	Director of Finance	Approved By	Board of Trustees

Overview

Sound procurement practice is one of the most direct expressions of institutional financial integrity. Every Kuwaiti Dinar spent through an uncompetitive, undocumented, or conflicted procurement process is a Kuwaiti Dinar that cannot be invested in faculty, students, or educational resources. Accrediting agency requires institutions to exhibit integrity and transparency in their operations and to demonstrate sound business practices, and there is no domain of institutional operations where those standards are tested more concretely than in how the institution buys goods and services.

This policy establishes AIU's complete procurement and vendor management framework, from the identification of a requirement through to vendor evaluation and contract management. It operationalizes the procurement authority thresholds established in FIN-002 (Budget Governance Policy) and provides the specific processes, documentation standards, vendor qualification criteria, and performance monitoring requirements that govern all institutional purchasing at AIU. It applies alongside and must be read together with FIN-004 (Related-Party Transactions and Owner-Affiliated Procurement Policy), which governs the highest-risk procurement category: purchases from entities connected to the ownership group or Board of Trustees.

Scope

This policy applies to all procurement of goods, materials, equipment, services, technology, and works by or on behalf of AIU, regardless of the funding source, the requesting unit, or the value of the transaction. It is binding on all members of faculty, staff, and administration who initiate, approve, execute, receive, or pay for any purchase. It applies to procurement funded from the operational budget, the capital budget, restricted funds, grant awards, and all other institutional funding sources.

This policy does not apply to: employment contracts and personnel arrangements (governed by the relevant HR policies); academic partnership agreements with affiliate universities; and real property transactions (governed by FIN-004 where they involve related parties, and by Board resolution for all others). Where procurement involves a Related Party as defined in FIN-004, that policy's requirements apply in addition to all requirements of this policy.

Purpose

The purposes of this policy are to:

- Establish a transparent, competitive, and consistently applied procurement process that ensures AIU receives best value for institutional funds in all purchasing decisions
- Define the sourcing methods and competitive thresholds applicable to each category of procurement, operationalizing the authority matrix in FIN-002
- Establish the vendor pre-qualification, registration, classification, and Approved Vendor List framework that governs which suppliers AIU may contract with
- Define the Purchase Requisition process, scope-of-work documentation requirements, evaluation methodology, negotiation process, and vendor award standards

- Establish the requirements for sole-source and emergency procurement, including the grounds on which competitive bidding may be waived and the approval required
- Establish the vendor performance evaluation framework and the conditions for vendor suspension or removal from the Approved Vendor List
- Define the procurement KPIs that will be monitored and reported annually as part of AIU's institutional effectiveness evidence
- Demonstrate compliance with sound and ethical business practices and financial stability and resource stewardship

Definitions and Abbreviations

Purchase Requisition (PR): The formal internal document through which a requesting unit notifies the Procurement Officer of a procurement requirement. No purchase may proceed without an approved PR.

Request for Quotation (RFQ): A formal solicitation requesting price and basic terms from one or more vendors for standardized goods or services whose specifications are pre-defined. RFQ is used for simpler, lower-value, or well-specified requirements.

Request for Proposal (RFP): A formal solicitation requesting both technical proposals and commercial offers from vendors for complex, non-standardized, or high-value requirements. RFP allows for weighted technical and commercial evaluation.

Request for Information (RFI): A non-binding market enquiry issued by the Procurement Officer before a formal solicitation, used to gather information about vendor capabilities, market pricing, or available solutions. RFI responses do not constitute pre-qualification and do not give any preferential status in subsequent procurement.

Bill of Quantities (BOQ): A formal document specifying quantities, technical specifications, and units for material or goods requisitions.

Terms of Reference (TOR): A formal document defining the objective, scope, deliverables, timelines, and reporting requirements for service requisitions.

Statement of Work (SOW): A formal document defining the project scope, design, construction methodology, milestones, quality standards, and personnel requirements for project or works requisitions.

Competitive Bidding: A procurement method in which written quotes or proposals are solicited from a minimum of three vendors and evaluated against pre-defined criteria to identify the best-value offer.

Limited Tender: A procurement method in which invitations are sent to a limited number of pre-qualified vendors. Used for mid-value and higher-complexity requirements.

Open Tender/Public Tender: A procurement method in which the invitation to bid is publicly advertised and open to all pre-qualified vendors. Used for high-value requirements and first-time procurement in a new category.

Sole-Source Procurement: Procurement from one vendor selected from the Approved Vendor List, used for low-value requirements below the competitive bidding threshold.

Approved Vendor List (AVL): The formally maintained institutional register of vendors who have been pre-qualified and registered through the process in Article 9. Only vendors on the AVL may supply goods or services to AIU, subject to the exceptions in Article 9.4.

Delegation of Authority (DOA): The procurement authority thresholds defined in the FIN-002 Authority Matrix, specifying the approval required for each category and value of procurement.

Total Cost of Ownership (TCO): For capital purchases, the total economic cost over the asset's life including acquisition, installation, operation, maintenance, and disposal used to evaluate competing bids on a comparable basis.
Procurement Officer: The designated AIU staff member responsible for administering the day-to-day procurement process. Reports to the Director of Finance.
End User: The academic or administrative unit that identifies and defines the requirement for goods, materials, or services.
Procurement Committee: A standing advisory committee comprising the Assistant VP Research (Chair), Director of Finance, and two rotating faculty or staff representatives, responsible for reviewing and recommending award on Limited Tender and Open Tender procurement above KWD 10,000.

Policy

Article 1: Governing Principles

All procurement at AIU shall be conducted in accordance with the following principles:

a. Transparency: Every procurement decision is documented, justifiable, and available for review by the Director of Finance, the President and the Board Audit and Risk Committee, the external auditor, and Accrediting agency. Procurement processes that cannot be fully reconstructed from the documentary record are not compliant with this policy.
b. Competition: Wherever possible and appropriate, procurement shall be conducted through a competitive process that allows the market to determine value. The avoidance of competition for convenience, preference, or relationship is prohibited.
c. Value for money: The objective of procurement is to secure the best combination of quality, fitness for purpose, and price not simply the lowest price. Technical quality and delivery reliability are assessed alongside cost.
d. Integrity and conflict avoidance: No person with a personal, financial, or professional interest in a vendor may participate in the procurement process involving that vendor. Procurement decisions must be free from undue influence. Any conflict of interest must be declared and managed under FAC-010 or GOV-002 before the procurement proceeds.
e. Accountability: Every procurement decision is traceable to a named approving authority. The splitting of procurement requirements to avoid a higher approval threshold is specifically prohibited and treated as a serious breach of institutional financial integrity.
f. Fairness to vendors: Procurement processes shall treat all participating vendors equitably. Specifications shall not be written in a manner that pre-selects a particular vendor. Evaluation criteria shall be defined before solicitation and applied consistently to all submissions.
g. Sustainability and compliance: Procurement shall comply with all applicable Kuwait laws and regulations, AIU's own governance policies, and the sustainability and ethical sourcing commitments of the institution. AIU's code of conduct for vendors shall be published and enforced.

Article 2: Sourcing Methods and Competitive Thresholds

1. The following sourcing methods and competitive thresholds govern all AIU procurement. Thresholds apply to the total value of a procurement, including all foreseeable options, extensions, and variations. Attempts to split a single procurement requirement across multiple lower-value purchase orders to avoid a higher threshold are a prohibited practice under this policy and under FIN-002.

Sourcing Method	Threshold (KWD)	RFX Type	Notes
Petty Cash / Direct Purchase	Up to KWD 50 per transaction	None	Cash or card; receipt required; maximum KWD 50 per single transaction; reconciled monthly
Single-Source Purchase	KWD 51 – KWD 2,000	RFQ (1 quotation)	Director of Finance endorses; President approves; Finance confirms budget; vendor must be on Approved Vendor List or new-vendor justification provided
Competitive Bidding (RFQ)	KWD 2,001 – KWD 10,000	RFQ (minimum 3 quotations)	Lowest technically compliant offer selected; Finance endorses; President approves
Limited Tender (RFP - Invited)	KWD 10,001 – KWD 50,000	RFP (minimum 3 invited vendors)	Weighted technical + commercial evaluation; Director of Finance review; President approves
Open / Public Tender	Above KWD 50,000	RFP (open to all pre-qualified vendors)	Publicly advertised; Procurement Committee evaluation; Board Finance Committee approval; Board approval for > KWD 50,000
Sole-Source (any value)	Any value	Written justification + DOA approval	Acceptable only on documented grounds in Article 5; anti-splitting rules apply

2. The Procurement Officer selects the sourcing method based on the nature and value of the requirement. Where two methods appear equally applicable, the more competitive method is preferred. The Director of Finance determines the applicable method for any procurement that does not clearly fall within a defined category.

Article 3: Purchase Requisition Process

1. Initiating a Procurement

No goods, materials, services, or works may be procured by any unit of AIU without a formally raised and approved Purchase Requisition (PR). The following conditions must be met before a PR is submitted:

a. Confirmed approved budget availability in the relevant cost center, as verified by the Director of Finance or their designate
b. Compliance with the applicable sourcing method and threshold in Article 2
c. Preparation of a complete scope-of-work document (BOQ, TOR, or SOW as appropriate)
d. Identification of the relevant approving authority under the FIN-002 Delegation of Authority

2. Scope-of-Work Documentation

a. Every PR must be accompanied by a scope-of-work document that gives vendors sufficient information to submit a responsive offer. The appropriate format depends on the type of procurement:
   - Bill of Quantities (BOQ): Used for material and goods requisitions. Must include item descriptions, quantities, technical specifications, units of measurement, required delivery date, and quality standards.
   - Terms of Reference (TOR): Used for service requisitions. Must include the service objective, scope, deliverables, key milestones, performance standards, reporting requirements, and expected start and end dates.
   - Statement of Work (SOW): Used for project and works requisitions. Must include project description and purpose, location and site details, construction methodology, quality assurance requirements, program of works, and required vendor experience and personnel qualifications.

b. The End User is responsible for drafting the scope-of-work document. The Procurement Officer reviews it for completeness and clarity before the PR proceeds. An incomplete or vague scope of work is grounds for returning the PR to the End User for revision.

3. Mandatory PR Elements

Every PR must include: a unique reference number; the date of issuance; the requestor's name and position; the department name; the type of procurement (planned, unplanned, or emergency); the item category (goods, services, or works) and type (CapEx or OpEx); the description of the requirement; the required delivery or completion date; the attached scope-of-work document; the estimated cost and confirmation of budget availability; and any special instructions.

4. Anti-Splitting Rule

No End User may split a procurement requirement into smaller separate PRs in order to reduce the value below a threshold that would trigger a higher approval level or more competitive sourcing method. The Procurement Officer shall compare each PR against the approved Annual Procurement Plan and against other recent PRs from the same unit. Where splitting is suspected or confirmed, the Procurement Officer returns all related PRs to the End User and requires a consolidated PR at the correct threshold. Confirmed deliberate splitting is reported to the Director of Finance and constitutes a breach of this policy.

5. Unplanned Purchases

Where a procurement requirement arises outside the Annual Procurement Plan, the End User must: confirm budget availability with the Director of Finance before raising the PR; provide a written business justification for the unplanned requirement; and obtain the same approval as a planned purchase of equivalent value. Unplanned purchases are monitored by the Procurement Officer, who reports their frequency and value to the Director of Finance quarterly. A pattern of excessive unplanned purchasing within a unit is escalated to the President.

6. Emergency Purchases

1. A purchase qualifies as an Emergency Purchase only where an immediate need arises that meets one or more of the following criteria:
   a. An imminent or actual threat to life, health, property, or the continuity of essential institutional services
   b. Critical equipment failure that would immediately and materially disrupt AIU's teaching, research, or administrative operations
   c. A new legal or regulatory requirement with a compliance deadline that cannot be met through the standard procurement timeline
2. Emergency purchases do not qualify for the emergency categorization where the urgency is the result of inadequate planning by the requesting unit. The Procurement Officer assesses the validity of an emergency classification within one working day of receiving the PR. Emergency classifications that are not valid are returned to the End User as standard unplanned purchases. All emergency purchases are approved in line with the DOA and reviewed within two working days. The Director of Finance reports the number and value of emergency purchases to the President quarterly; a pattern of inappropriate emergency classification is escalated to the President.

Article 4: Competitive Bidding Process

1. Solicitation of Offers

The Procurement Officer prepares and issues the formal solicitation document (RFQ or RFP) to selected vendors within two working days of the PR being approved. The solicitation must include: a reference number and issuance date; the scope-of-work document (BOQ, TOR, or SOW); submission deadline and method; clarification meeting details where applicable; deadline for vendor enquiries; offer validity period; evaluation criteria; and all contractual terms and conditions, including payment terms, penalty clauses, required bonds and guarantees, and applicable legal and regulatory compliance requirements.

2. Minimum Vendor Participation

The following minimum vendor participation rules apply to all competitive solicitations:

- RFQ (Competitive Bidding): Minimum of three vendors from the Approved Vendor List
- RFP (Limited Tender): Minimum of three invited vendors, selected from the Approved Vendor List on the basis of pre-defined criteria documented before the invitation is issued
- Open Tender: Minimum of five responses required for the evaluation to proceed; where fewer than five valid responses are received, the Procurement Officer may either re-advertise or proceed subject to Director of Finance approval and documentation of market conditions

3. Management of Vendor Enquiries

All vendor enquiries during the solicitation period are received by the Procurement Officer and coordinated with the End User for technical responses. Responses are issued through a formal bid clarification document distributed to all participating vendors simultaneously within two working days of the enquiry. Clarification meetings are held where the complexity of the requirement warrants it, and are open to all participating vendors at the same time. No clarification may be provided to individual vendors through informal channels such as telephone or text.

4. Evaluation of Offers - RFQ Method

For RFQ procurement, offers are evaluated as follows:

a. All offers are subject to a preliminary compliance check confirming they are signed, complete, accompanied by required documentation, within the offer validity period, and technically responsive to the specifications
b. Technically compliant offers are scored against the defined technical criteria using the scoring rubric below. Offers scoring below 80 out of 100 on the technical evaluation are disqualified
c. The lowest-priced offer among technically qualified offers is selected for award

5. Evaluation of Offers - RFP Method

For RFP procurement, offers are evaluated using a weighted technical and commercial scoring method:

a. Technical criteria: 60% weight assessed by a technical evaluation panel drawn from the End User unit and relevant subject matter experts
b. Commercial criteria: 40% weight assessed by the Procurement Officer in coordination with the Director of Finance
c. The vendor achieving the highest combined technical and commercial score is selected for award, subject to Procurement Committee endorsement for Limited and Open Tender

The grading scale for all RFP evaluations is: 1–20 Unacceptable; 21–40 Poor; 41–60 Adequate; 61–80 Good; 81–100 Outstanding. Technical criteria and their respective weights are defined in the solicitation document before it is issued and may not be changed after issuance.

6. Negotiation

For RFQ procurement, negotiation may be conducted with the two vendors submitting the lowest compliant offers. For RFP procurement, negotiation may be conducted with the two vendors receiving the highest combined evaluation scores. Negotiations are conducted through a formal meeting or written exchange, documented in minutes or email correspondence retained for audit. Vendors are given a defined deadline to submit revised final offers. The outcome of negotiation is applied to the final evaluation and the award recommendation.

7. Vendor Award and Letter of Award

The Procurement Officer prepares the Recommendation for Award Report following the conclusion of the evaluation and negotiation process. The Report is reviewed and approved in accordance with the DOA. Upon approval, the Procurement Officer issues a formal Letter of Award (LOA) to the successful vendor within three working days. The LOA specifies the procurement reference, goods or services awarded, vendor name, total contract value, and the required contract template. The awarded vendor must sign and return the contract before any supply or service delivery begins no vendor commences work or supply on the basis of a verbal instruction or LOA alone. Unsuccessful vendors receive a written notification and, upon request, a de-brief outlining the significant weaknesses identified in their offer.

Article 5: Sole-Source Procurement

1. Sole-source procurement engaging a single vendor without competitive solicitation is permitted only where one or more of the following documented grounds apply:
   a. The required goods or services are exclusively produced, distributed, or supplied by one manufacturer or agent, and no technically equivalent alternative exists in the market
   b. The goods are required to match existing equipment already in use at AIU, where compatibility is essential and the original equipment manufacturer or authorized service agent is the only qualified provider

c. The requirement is for goods or services protected by patent, copyright, or exclusive intellectual property rights that preclude competitive supply
d. The goods or services are available only from a government-owned entity, agency, or national monopoly supplier
e. An emergency purchase has been validated under Article 3.6 and the standard competitive timeline cannot be met

2. Sole-source procurement is not justified solely by price preference, relationship, convenience, urgency arising from poor planning, or the belief that one vendor is simply better than others. Each sole-source purchase requires a written Sole-Source Justification Form completed by the End User, reviewed by the Procurement Officer for validity, and approved through the DOA at one level higher than would be required for a competitive purchase of the same value. Sole-source procurement is tracked and reported quarterly to the Director of Finance; patterns of excessive sole-source use in any unit are escalated to the President.

Article 6: Purchase Order Management

All approved procurements above the petty cash threshold are executed through a formal Purchase Order (PO) issued by the Procurement Officer through AIU's financial management system. The following rules govern POs:

a. No PO may be issued without an approved PR, confirmed budget availability, and the required approval documented in accordance with the DOA
b. The PO must accurately reflect the contracted terms including the vendor’s name, description of goods or services, quantities, unit prices, total value, delivery or completion date, and payment terms
c. No changes to a PO's scope, value, vendor, or delivery date may be made without a formal Variation Order (VO) approved at the same level as the original PO
d. Vendor payments are processed only against an original signed invoice, a confirmed PO, and a documented delivery or service completion confirmation from the End User. The Finance Department does not process payments without all three documents
e. The three-way match PO, invoice, and delivery confirmation is a mandatory control step in every payment cycle
f. Payments made outside the PO system, including cash payments above the petty cash limit, direct transfers without a PO reference, or advance payments to vendors without contractual provision, are prohibited under this policy and under FIN-002 Article 12

Article 7: Contract Management

All procurement above KWD 2,000 in value must be governed by a formal written contract. The following requirements apply to all contracts entered into by AIU with external vendors:

a. Contracts must be signed by an authorized signatory in accordance with the DOA. No contract binds AIU unless signed by the President or a person with a written delegation of contract authority from the President
b. All contracts must include: a clear scope of goods or services; the contract price and payment schedule; the delivery or completion timeline and milestones; quality standards and acceptance criteria; warranties and guarantees; a penalty clause for delay or non-performance; provision for variation orders; termination provisions; governing law; and dispute resolution
c. Contracts above KWD 25,000 must be reviewed by the Director of Finance for financial terms and, where the President determines necessary, by external legal counsel before execution
d. For multi-year contracts above KWD 50,000, Board Finance Committee approval is required in accordance with FIN-002. Multi-year contracts must include an annual performance review provision and the right for AIU to terminate on reasonable notice without penalty where performance benchmarks are not met
e. Contract renewal is not automatic. Each renewal is treated as a new procurement decision. Where the original contract was awarded through competitive bidding, renewal for a further term above the competitive threshold requires either a fresh competitive process or a documented justification for direct renewal approved at the same DOA level as a new sole-source procurement of equivalent value
f. All signed contracts are registered in the AIU Contract Register maintained by the Procurement Officer and made available to the Director of Finance and the external auditor

Article 8: Vendor Code of Conduct

1. Every vendor supplying goods, services, or works to AIU must acknowledge and sign AIU's Vendor Code of Conduct before or upon first engagement. The Code is a standard document maintained by the Procurement Officer and published on the AIU Finance Department page. It requires vendors to:
   - Comply with all applicable Kuwait laws and regulations including labor, environmental, and health and safety requirements
   - Not engage in bribery, corruption, or improper payments in connection with any AIU contract
   - Not employ subcontractors or agents who are connected to any AIU Covered Party as defined in FIN-004, without prior written disclosure to and approval by AIU
   - Maintain the confidentiality of any AIU information to which they have access through their contractual relationship
   - Comply with AIU's campus rules and protocols when personnel are on AIU premises
   - Not solicit or accept gifts, hospitality, or favors from AIU faculty or staff in connection with any existing or prospective contract
2. Vendors who breach the Code of Conduct are subject to contract termination and permanent removal from the Approved Vendor List. The Procurement Officer maintains a record of all Code

of Conduct acknowledgements and reports any breach to the Director of Finance and the President.

Article 9: Vendor Pre-Qualification, Registration, and the Approved Vendor List

1. Pre-Qualification Process

a. Before a vendor may supply goods or services to AIU, they must be pre-qualified and registered on the Approved Vendor List (AVL). The pre-qualification process uses the following scoring criteria:

Criterion	Weight (%)	Score (0–100)	What Is Assessed
Experience, Positioning, and Reputation	30	0–100	Years in business; track record in higher education or similar institutional supply; references from comparable clients; local and regional market standing
Financial Position and Health	30	0–100	Audited financial statements for the last two years; working capital adequacy; net profit consistency; ability to complete contracts of the scale proposed
Technical Capability	30	0–100	Staff qualifications; relevant certifications and accreditations; project management methodology; technology and equipment; quality management system
Health, Safety, Environment, and Quality Assurance	10	0–100	HSE management system in place; ISO 9001 or equivalent quality certification where applicable; compliance with Kuwait legal and regulatory standards
Passing Score	≥ 70	—	Vendors scoring below 70 are not added to the Approved Vendor List. Scores are reviewed at re-qualification.

b. The pre-qualification questionnaire is issued by the Procurement Officer and must be returned by the vendor with all required documentation. Documentation includes: valid commercial or trade license; relevant ISO or quality certifications; audited financial statements for the most recent two years; company information and contact details; details of previous relevant engagements; tax registration certificate where applicable; power of attorney for authorized signatories; signed Vendor Code of Conduct; and bank account confirmation from the vendor's bank. Vendors scoring below 70 are not registered. Vendors are notified of their result within two working days of the Procurement Officer's assessment being finalized.

2. Vendor Classification

a. Registered vendors are classified into three tiers based on their strategic significance to AIU:

Tier	Classification Criteria	Relationship Management
Tier 1 Strategic	Vendor whose goods or services are essential to AIU's core academic or operational mission; whose absence or substitution would create significant risk; and who is engaged in long-term strategic supply relationships with AIU	Quarterly relationship reviews; annual strategic alignment meeting; joint planning for future requirements; Director of Finance as primary relationship owner
Tier 2 Critical	Vendor who provides goods or services that are important to AIU's operations and whose absence or delay would disrupt daily activities; alternatives exist but sourcing would involve above-average cost or risk	Semi-annual performance reviews; active monitoring of contract delivery; Department Head as primary relationship owner
Tier 3 Non-Critical	Vendor providing goods or services that are not central to AIU's core operations; alternatives are readily available at comparable cost and quality; absence does not create significant operational risk	Annual performance assessment; standard purchase order management; Procurement Officer as operational contact

b. Classification is agreed between the Procurement Officer and the relevant End User and is reviewed annually. A vendor's classification may be upgraded or downgraded based on changes in their role, performance, or strategic significance.

3. Vendor Registration and AVL Maintenance

The Approved Vendor List is maintained by the Procurement Officer and reviewed at least annually. Each registered vendor is assigned a unique vendor code. The AVL records: the vendor's commercial name, code, and classification tier; the category of goods or services supplied; contact details; trade license number; registration date; next re-qualification date; and performance category (updated after each performance evaluation). Vendors must renew their registration and documentation every two years. A vendor whose license or required documentation has lapsed is automatically placed on hold on the AVL they may not receive new POs until their documentation is updated and confirmed valid.

4. Procurement from Non-Registered Vendors

1. Procurement from a vendor not on the AVL is not permitted except under the following conditions:
   a. There is no suitable registered vendor on the AVL with the capability to supply the required goods or services
   b. The number of registered vendors in the relevant category is fewer than three, making a competitive process impossible with AVL vendors alone
   c. The procurement is classified as a valid emergency under Article 3.6 and the procurement timeline does not allow for registration before purchase
2. In any of these cases, the Procurement Officer initiates a parallel pre-qualification of the non-registered vendor within five working days of the purchase. Where the vendor fails pre-qualification, they are removed from further consideration and the purchase is revised. Purchase from a vendor who does not complete pre-qualification is prohibited on a recurring basis.

Article 10: Vendor Performance Evaluation

a. The Procurement Officer, in collaboration with End Users, evaluates the performance of all active vendors on the following schedule: Tier 1 (Strategic) vendors quarterly; Tier 2 (Critical) vendors semi-annually; Tier 3 (Non-Critical) vendors annually. Performance is assessed using the following criteria:

Performance Criterion	Weight (%)	What Is Measured
Delivery and Timeliness	30	On-time delivery rate; adherence to contracted delivery schedule; advance notice of delays
Quality of Goods or Services	30	Conformance with specifications; defect or rejection rate; satisfaction of end user upon delivery or completion
Responsiveness and Communication	20	Response time to enquiries and issues; quality of communication during the contract period; flexibility in addressing changes
Contractual Compliance	15	Adherence to agreed pricing; compliance with contract terms; accuracy of invoicing; submission of required documentation
Health, Safety, and Conduct	5	Compliance with AIU's HSE requirements on campus; professional conduct of vendor staff; adherence to AIU's code of conduct for vendors

b. Vendor performance scores are calculated as a weighted sum of scores across the five criteria. The score is recorded on the vendor's AVL profile. A vendor scoring below 60 in any evaluation triggers a formal performance improvement discussion. A vendor scoring below 60 in two consecutive evaluations is placed on a Performance Improvement Plan (PIP) agreed between the Procurement Officer, the relevant End User, and the vendor, with a defined improvement timeline. A vendor scoring below 60 in three consecutive evaluations, or who materially breaches their contract or the Vendor Code of Conduct, is suspended from the AVL.

1. Vendor Suspension and Removal

The Procurement Officer recommends vendor suspension or removal from the AVL to the Director of Finance in the following circumstances:

a. Three consecutive performance evaluations below 60 without meaningful improvement
b. Material breach of a contract, including confirmed non-delivery, significant quality failure, or financial default
c. Breach of the Vendor Code of Conduct, including bribery, corruption, or improper conduct on AIU premises

d. Misrepresentation during pre-qualification or registration, including submission of fraudulent documents
e. Failure to renew documentation within the required timeframe after reminder

The Director of Finance approves the suspension following consultation with the relevant End User. The President approves permanent removal. The vendor is notified in writing of the suspension or removal and the grounds, and is given the opportunity to respond within 15 working days. The Director of Finance's determination following any vendor response is final at the administrative level.

Article 11: Auction of AIU Assets

Where AIU sells, disposes of, or offers for rental surplus assets — including equipment, furniture, vehicles, or space — the auction process is used to ensure transparent, competitive disposal at best value. Auction is required where the estimated value of the asset exceeds KWD 2,000 or at the President’s discretion for lower-value items. The following provisions govern auctions:

a. The Director of Finance, in consultation with the relevant department, establishes the estimated value of the asset before the auction is announced, based on current market comparable or a formal valuation
b. Auction is advertised on the AIU website and by direct notice to known interested parties. The notice specifies the asset, condition, estimated value as a reserve price, auction date and method, and submission requirements
c. Sealed envelope and public auction methods are both permitted. Public auctions require the presence of at least three participating bidders before proceeding
d. The reserve price is the minimum acceptable price. No award is made if the highest bid does not meet the reserve
e. Payment must be received within 30 days of award. Assets are not released until payment is confirmed. Late payment may attract penalty charges at the discretion of the President.

Article 12: Annual Procurement Planning

1. The Procurement Officer, in collaboration with all End Users, prepares an Annual Procurement Plan (APP) each June covering all anticipated purchases for the following academic year. The APP is reviewed by the Director of Finance, endorsed by the President, and incorporated into the annual budget cycle. The APP identifies: the category and estimated value of each planned procurement; the anticipated sourcing method; the target procurement timeline; the relevant budget lines; and any procurement requiring early market engagement or RFI.
2. All PRs submitted during the year are assessed against the APP. PRs for items not included in the APP are treated as unplanned purchases and require additional justification. The APP is a planning instrument its contents do not constitute a commitment to purchase. Where institutional circumstances change, the APP is updated by the Procurement Officer with Director of Finance endorsement.

Article 13: Procurement Performance Monitoring and KPIs

The Procurement Officer reports quarterly to the Director of Finance on procurement performance against the following KPIs. Annual performance data is included in the Annual Institutional Effectiveness Report:

Key Performance Indicator	Measurement Formula	Annual Target
Purchase Requisitions reviewed within agreed timeline	PRs reviewed within timeline / Total PRs reviewed × 100	≥ 90%
Split purchase requisitions submitted	Split PRs / Total PRs submitted × 100	0%
Emergency purchases without valid justification	Emergency PRs without valid justification / Total emergency PRs × 100	0%
RFQ/RFP issued to minimum required vendor count	RFXs issued to fewer than required vendors / Total RFXs issued × 100	≤ 10%
Vendor award within 3 working days of finalized evaluation	Awards within 3 days / Total awards × 100	≥ 95%
Contracts with active performance bond or bank guarantee	Unsecured contract value / Total contract value × 100	≤ 10%
Approved Vendor List updated within annual cycle	Vendors re-qualified on schedule / Total vendors due for re-qualification × 100	100%
Vendor performance evaluations completed on schedule	Evaluations completed on time / Total evaluations due × 100	≥ 90%

Article 14: Conflicts of Interest in Procurement

1. Any person involved in any aspect of a procurement, including identifying the requirement, preparing specifications, evaluating offers, approving the award, or managing the contract, who

has a personal, financial, or professional interest in any participating vendor must immediately declare that interest to the Procurement Officer and recuse themselves from all involvement in that procurement. The declaration is documented in writing and retained in the procurement file. Failure to declare a conflict of interest in procurement is a breach of this policy and is treated as professional misconduct under FAC-004 and as a potential violation of FAC-010 or GOV-002 as applicable.

2. Where the conflict involves a vendor connected to the ownership group, a Board Trustee, or a senior administrator, FIN-004 (Related-Party Transactions and Owner-Affiliated Procurement Policy) applies and supersedes this policy in respect of the governance of that transaction.

Procedures

The following procedures govern the administration of this policy.

Purchase Requisition Submission and Review

1. The End User identifies the requirement and confirms budget availability with the Finance Department before preparing the PR.
2. The End User prepares the PR form and attaches the completed scope-of-work document (BOQ, TOR, or SOW). The PR is submitted through the AIU financial management system to the End User's departmental approver.
3. The departmental approver reviews the PR for accuracy, completeness, and business justification and approves or returns it within two working days.
4. The approved PR is routed to the Procurement Officer, who reviews it against the Annual Procurement Plan, confirms the applicable sourcing method, confirms the DOA approval path, and proceeds or returns for revision within two working days.
5. The Procurement Officer confirms budget availability with Finance before any solicitation is issued.

Competitive Solicitation Process

1. For RFQ procurement (KWD 2,001–10,000): the Procurement Officer selects a minimum of three vendors from the AVL, issues the RFQ with the scope-of-work document and evaluation criteria, manages clarifications, receives and evaluates offers, and prepares the Comparison Sheet President approval per the DOA.
2. For Limited Tender (KWD 10,001–50,000): the Procurement Officer prepares the RFP with scope-of-work documents, technical and commercial evaluation criteria (60/40 weighting), and issues it to a minimum of three pre-qualified vendors. Offers are evaluated by the technical panel (End User) and the Procurement Officer (commercial). The Recommendation for Award Report is reviewed by the Procurement Committee and submitted for President or Board Finance Committee approval per the DOA.

3. For Open Tender (above KWD 50,000): the Procurement Officer advertises the RFP publicly, manages the full open evaluation process, coordinates with the Procurement Committee, and presents the Recommendation for Award for Board Finance Committee review and Board approval per the DOA.
4. In all cases, the Procurement Officer issues the Letter of Award within three working days of final approval and notifies unsuccessful vendors by written regret letter within five working days of award.

Vendor Pre-Qualification and AVL Maintenance

1. The Procurement Officer issues the pre-qualification questionnaire to prospective vendors on request or during the Annual Procurement Planning cycle. Questionnaires are returned by vendors with all required documents within 20 working days of issuance.
2. The Procurement Officer reviews submissions, routes relevant sections to Finance, Legal (where applicable), and the relevant End User for technical assessment. All inputs are received within five working days.
3. The Procurement Officer consolidates scores, calculates the overall assessment result, and notifies the vendor of the outcome within two working days of the Director of Finance's approval of the assessment result.
4. Approved vendors are added to the AVL with their assigned tier classification and vendor code. AVL entries are updated in real time as vendor status changes.
5. The full AVL is reviewed and re-qualified annually. Vendors due for re-qualification receive notification from the Procurement Officer 60 days before their re-qualification date. Vendors who do not complete re-qualification within 20 working days of the due date are placed on hold.

Vendor Performance Evaluation Cycle

1. The Procurement Officer prepares the vendor performance evaluation schedule for the academic year by 1 September and distributes it to all End Users whose vendors are due for evaluation.
2. End Users complete their portion of the performance evaluation form within ten working days of the evaluation period closing. The Procurement Officer consolidates the scores and calculates the weighted total.
3. Vendors scoring below 60 receive a formal performance notice from the Procurement Officer within five working days of the evaluation being finalized, with a request for a response and improvement plan within 15 working days.
4. The Director of Finance reviews all completed performance evaluations and approves any suspension recommendations before they are communicated to vendors.
5. Annual aggregate vendor performance data is summarized by the Procurement Officer and included in the quarterly Finance Report to the President and the Annual Institutional Effectiveness Report.

Annual Procurement Plan Preparation

1. By 1 September each year, the Procurement Officer circulates the Annual Procurement Planning template to all End Users with instructions and the prior year's APP for reference.

2. End Users submit their anticipated procurement requirements by 30 June. The Procurement Officer consolidates all submissions into a draft APP, identifies high-value or complex procurements requiring early market engagement, and aligns the draft plan with the budget cycle timeline in FIN-002.
3. The Director of Finance reviews the draft APP by 15 July and endorses it for submission with the budget package. The APP is reviewed annually and updated mid-year where material changes arise.

President Signature	Signature: ________________________ Date: __________

AIU AMERICAN INTERNATIONAL UNIVERSITY الجامعة الأمريكية الدولية	Policy Main Title	Travel and Expense Reimbursement Policy	Effective Date	14/06/2026
	Category	Finance	Last Review date	
	Policy Number	FIN-006	Next Review date	14/06/2028
	Responsible Entity	Director of Finance	Approved By	Board of Trustees

Overview

Every institution needs its people to travel, to conferences, to partner institutions, to regulatory meetings, to external campuses, and for the full range of academic and administrative purposes that cannot be accomplished remotely. Every trip represents an expenditure of institutional funds, and every expenditure of institutional funds must be planned, approved, documented, and reimbursed according to rules that are transparent, fair, consistent, and auditable. Travel and expense reimbursement is one of the most frequently audited areas of institutional financial practice, by external auditors, by Accrediting agency visiting teams, and by institutional leadership, because it is the domain where personal benefit and institutional benefit most commonly intersect.

This policy establishes AIU's framework for all institutional travel and business expense reimbursement. It defines who must approve travel before it occurs, what expenses AIU will reimburse, the rates and ceilings applicable to each expense category, what is categorically prohibited, how expense reports are submitted and processed, and how exceptions and disputes are handled. It applies to every person who travels on AIU business or incurs expenses on AIU's behalf, regardless of their role, rank, or the source of the funds used to reimburse them.

Scope

This policy applies to all full-time and part-time AIU employees, including faculty, staff, and administrators at all levels; to Board Trustees when travelling on institutional business; and to non-employees (visiting scholars, invited speakers, recruitment candidates, and student representatives) when AIU has agreed in advance to reimburse their travel expenses. It applies to all institutional travel and to all business expenses incurred in connection with AIU's educational, research, administrative, and governance activities, regardless of the funding source operational budget, grant funding, Faculty Development Fund, or any other institutional account.

Conference travel by faculty is additionally governed by FAC-008 (Faculty Professional Development Policy), which defines the academic eligibility criteria, conference classification requirements, and per-cycle limits on conference travel support. This policy governs the financial and administrative aspects of all such travel.

Purpose

The purposes of this policy are to:

- Ensure that all institutional travel is necessary, pre-approved, properly documented, and conducted in the most economical manner consistent with effectiveness and safety
- Define the reimbursable expense categories and applicable ceilings for all categories of institutional travel
- Establish a clear pre-approval and post-travel expense reporting process that creates an auditable record for every trip
- Define what constitutes a prohibited expense and prevent the use of institutional funds for personal benefit

- Establish the authority matrix for travel approval, aligned with the financial authority framework in FIN-002
- Ensure that institutional travel and expense practices comply with sound and ethical business practices and financial stewardship
- Provide a consistent, fair, and transparent framework that applies equally to all travelers regardless of seniority

Definitions and Abbreviations

Institutional Travel: Any travel undertaken by an AIU employee or authorized non-employee for the primary purpose of conducting AIU business, including attendance at conferences, professional meetings, site visits, partner institution meetings, recruitment, and accreditation-related travel.

Traveler: Any person undertaking institutional travel for which AIU has agreed to bear the cost.

Travel Request: The formal pre-approval application submitted by the intended traveler before any bookings are made or expenses incurred. No reimbursable institutional travel begins without an approved Travel Request.

Travel Advance: A payment made to the traveler before the trip to cover anticipated expenses, subject to full reconciliation and settlement within 30 days of return.

Expense Report: The formal post-travel document through which the traveler claims reimbursement for expenses incurred during an approved trip, supported by receipts and documentation.

Per Diem: A daily allowance paid at a fixed rate to cover meals and incidental expenses during overnight institutional travel. Per diem replaces actual meal expense reimbursement receipts are not required for per diem claims, but the daily allowance is the ceiling.

Daily Allowance: Synonymous with per diem in this policy.

Reimbursement Ceiling: The maximum amount AIU will reimburse for a specific expense category, regardless of the actual cost incurred. Amounts above the ceiling are the personal responsibility of the traveler.

Pre-Approved Exception: A specific expense or expense level approved in advance by the required authority where this policy's standard ceiling or category would not cover the expenditure.

Business Entertainment: A meal, event, or hospitality activity hosted on behalf of AIU for external parties in connection with institutional business. Not covered under this policy governed by Article 7.

Accountable Plan: The financial management framework under which AIU administers expense reimbursement, ensuring that reimbursements are for genuine business expenses, supported by documentation, and returned where not spent consistent with sound institutional financial practice.

Policy

Article 1: Governing Principles

All institutional travel and expense reimbursement at AIU is governed by the following principles:

a. Necessity: Travel must serve a genuine institutional purpose. The traveler’s supervisor and the approving authority must be satisfied that the travel is necessary and that the purpose cannot be effectively served by alternative means such as video conferencing or online participation.

b. Economy: Travelers must select the most economical option consistent with safety, effectiveness, and reasonable comfort. Economy class airfare, reasonably-priced accommodation, and the use of public transportation where practical are institutional expectations, not optional choices.

c. Documentation: Every reimbursable expense requires an original itemized receipt showing the date, vendor, amount, and proof of payment. Credit card statements alone are not acceptable as receipts. Where a receipt is genuinely lost, the traveler submits a written declaration of the expense with the supporting travel context but such declarations are limited to two per trip and no more than four per year.

d. Pre-approval: All institutional travel must be approved before travel occurs and before any non-refundable expenses are incurred. Retrospective approval is not permitted except in documented genuine emergencies.

e. Timeliness: Expense reports must be submitted within 30 days of the conclusion of travel. Late submissions require escalated approval and may not be processed after 60 days.

f. Personal responsibility: Expenses above the applicable ceilings, and all prohibited expenses, are the personal financial responsibility of the traveler. AIU does not reimburse lavish, excessive, or personal expenditures regardless of the traveler's seniority.

g. Equity: This policy applies equally to all travelers regardless of rank or position. No traveler is entitled to higher reimbursement ceilings by virtue of seniority unless specifically provided in this policy.

h. Separation of approval: The person approving travel and expenses must not be the same person as the traveler. Self-approved expense reports are not valid. The President's travel is approved by the Chair of the Board Executive Committee.

Article 2: Pre-Travel Approval

No institutional travel and no commitment of travel expenditure may occur without a formally approved Travel Request. The following requirements apply to all travel:

1. Travel Request Content

Every Travel Request must specify: the traveler's name, role, and department; the purpose and institutional benefit of the travel; the destination and dates; the estimated total cost by category (airfare, accommodation, per diem, registration, and other); the budget line from which the expenditure will be charged; and confirmation that approved budget is available. For conference travel by faculty, the Travel Request must additionally include the conference name, the paper to be presented or the role to be served, and confirmation that the conference meets the eligibility criteria in FAC-008.

2. Approval Authority

The required approval authority depends on the type and destination of travel, as follows:

Travel Type	Required Approval	Advance Notice Required	Reimbursement Deadline
Local travel - Kuwait only (no overnight)	Dean / Department Director	None	30 days after travel
Regional travel - GCC countries (overnight)	Dean + President	Minimum 5 working days before travel	30 days after return
International travel - academic conference	Dean + VPAA + President	Minimum 10 working days before travel	30 days after return
International travel - institutional business	President	Minimum 10 working days before travel	30 days after return
International travel - duration > 14 days	President approval required	Minimum 15 working days before travel	30 days after return
President travel	Chair of Board Executive Committee	Minimum 10 working days before travel	30 days after return
Board Trustee travel (institutional business)	Board Chair	Minimum 10 working days before travel	30 days after return

Approved Travel Requests are retained as official documents and must be available with the post-travel Expense Report. Travel requests submitted after departure are not valid and will not be approved. Expenses incurred before a Travel Request is approved are not reimbursable.

3. Group and Repeated Travel

Where a staff member travels repeatedly on the same type of institutional business (for example, a regular meeting series or a multi-leg project), a Blanket Travel Authorization may be submitted covering the series of trips, valid for no more than 12 months. Each individual trip within the blanket authorization is still individually documented in the post-travel Expense Report. Blanket authorizations must be renewed annually.

4. International Travel - Additional Requirements

All international travel requires:

a. The approval levels specified in the table in Article 2.2
b. Confirmation that the traveler holds or has applied for any visa required for the destination country
c. Travel insurance coverage confirmation, either through AIU's institutional policy or a policy obtained by the traveler, the cost of which is reimbursable
d. An emergency contact plan filed with HR before departure, including the traveler's itinerary and local contact details in the destination country
e. Submission of the Travel Request at least 10 working days before departure to allow sufficient time for approval processing

Article 3: Reimbursable Expense Categories and Ceilings

The following schedule defines the maximum reimbursable amounts for each category of institutional travel expense. Ceilings are stated in Kuwaiti Dinars. Expenses in foreign currencies are converted to KWD at the exchange rate prevailing on the date of purchase, using a documented published rate (such as the Central Bank of Kuwait reference rate or the rate stated on the credit card transaction). The traveler is responsible for the currency conversion calculation and must show the conversion on all foreign-currency receipts.

Rates are reviewed annually by the Director of Finance. Any adjustment to the rate schedule is approved by the President and communicated to all staff before taking effect. The currently operative rate schedule is published on the Finance Department intranet page.

Expense Category	Maximum Reimbursement	Notes and Conditions
Airfare		
Economy / Coach class - domestic and regional	Actual cost at most economical available fare	Business class not reimbursed except where: (a) flight duration exceeds 8 hours and business class is approved by President; or (b) a medical condition is certified by a licensed physician and approved in advance by the President

Economy / Coach class - international	Actual cost at most economical available fare	As above. Seat selection fees up to KWD 15 per leg reimbursable where not included in base fare. Airline club memberships are not reimbursable.
Change fees for cancelled or rescheduled flights	Actual cost	Reimbursable only where change was necessitated by institutional, not personal, circumstances. Documentation required.
Accommodation / Lodging		
Hotel - GCC countries (Kuwait, UAE, Saudi Arabia, Bahrain, Qatar, Oman)	Up to KWD 80 per night	Actual cost if at conference hotel, even where above ceiling. Internet charges billed to room must be listed separately. Mini-bar, laundry, and in-room movie charges are not reimbursable.
Hotel - Western Europe, USA, Canada, Australia	Up to KWD 130 per night	Equivalent ceiling applies. Conference hotel exception applies.
Hotel - Other international destinations	Up to KWD 90 per night	Director of Finance approves ceilings for cities not listed; approval sought at pre-travel stage.
Short-term rental (Airbnb, apartment)	Only with documented cost saving - minimum 3 hotel comparisons required	Must show projected saving over hotel; pre-approved by Director of Finance before booking.
Daily Allowance (Meals and Incidentals) — Overnight Travel Only		

GCC countries	KWD 30 per day	Day of departure: 75% of daily rate. Day of return: 75% of daily rate. Where conference provides a meal, daily allowance is reduced by KWD 10 per provided meal.
Western Europe, USA, Canada, Australia	KWD 50 per day	As above for departure/return days and conference-provided meals.
Other international destinations	KWD 35 per day	Finance approval for unlisted cities at pre-travel stage.
Day travel (no overnight stay)	Not reimbursable	Meals during same-day travel are not reimbursable unless the traveler is away from their home office for more than 10 consecutive hours, in which case KWD 15 per meal is permitted up to KWD 30 per day.
Ground Transportation		
Airport taxi or ride-share (Uber, Careem)	Actual cost - economy service only	Receipt required. Luxury/premium service levels are not reimbursable. Local travel by taxi within the city of travel is reimbursable at actual cost.
Car rental	Actual cost - standard category vehicle	Pre-approved by Dean or VP. Fuel reimbursable with receipt; personal insurance and optional add-ons are not. Rental must be via AIU preferred rate or most economical available.
Personal vehicle — local use in Kuwait	KWD 0.080 per kilometer (subject to annual	Verified by shortest-route mapping tool. Parking fees reimbursable with receipt. Traffic fines, tolls for

	Finance Department review)	optional lanes, and vehicle service costs are not reimbursable.
Public transportation (metro, bus, airport shuttle)	Actual cost	Receipts or tickets required.
Conference and Registration Fees		
Conference registration fee	Actual cost as per approved travel request	Subject to per-travel and per-year ceilings in FAC-008 (conference travel) and in Article 3 of this policy. Early-bird registration required where available.
Communication and Incidentals		
International data/roaming charges - mobile	Up to KWD 15 per day, maximum KWD 60 per trip	Only where pre-AIU SIM or roaming plan not available; airtime for personal use not reimbursable.
Visa and passport fees	Actual cost	Original receipts required.
Travel insurance	Actual cost - AIU policy rate or equivalent	Where AIU does not provide blanket coverage. Personal travel insurance enhancements not reimbursable.
Baggage fees — checked luggage	One checked bag per leg of travel	Additional bags not reimbursable unless carrying institutional materials (documented).
Porterage / tipping	Included in daily allowance — not separately reimbursable	Tips and gratuities are covered by the daily allowance and are not separately reimbursable.

Where the actual cost of a necessary expense exceeds the applicable ceiling and the traveler believes a pre-approved exception is warranted (for example, where the conference hotel is the only safe accommodation option but is above the standard ceiling), the Pre-Approved Exception must be obtained from the Director of Finance before the expenditure is incurred. Exceptions are not routinely granted and must be documented.

Article 4: Prohibited Expenses

The following expenses are not reimbursable under any circumstances. AIU does not waive these prohibitions based on seniority, project type, or funding source. Where a prohibited expense is claimed, it is returned to the traveler without reimbursement and, if charged to an institutional credit card, the traveler must reimburse AIU within 10 working days of notification.

Prohibited Expense	Reason and Notes
Business or First-Class airfare	Economy class is the institutional standard. Where business class is approved under this policy, the economy-class portion is reimbursed from the travel budget and the traveler pays the upgrade difference.
Airline club / lounge memberships	Personal benefit not connected to a specific trip
Expenses paid with reward points, airline miles, or credit card cashback	Points are a personal benefit. The reimbursable amount is zero where the out-of-pocket cost is zero.
Personal expenses incurred during travel	Mini-bar, in-room entertainment, laundry (except for stays of 7+ consecutive nights away, where laundry up to KWD 5 per day is reimbursable), personal phone calls, fitness centre fees
Meals same-day travel (general rule)	Day travel meals are not reimbursable unless the 10-hour rule in the rate table applies
Traffic fines, parking violations, and vehicle penalties	Personal responsibility of the traveler regardless of context

Spouse, partner, or family member travel costs	Personal expenses; AIU does not cover accompanying persons
Alcohol and tobacco	Not reimbursable under any circumstance
Entertainment expenses charged to travel accounts	Entertainment is a separate expenditure category governed by Article 7 of this policy
Travel cancellation losses arising from personal decisions	Where a trip is cancelled or cut short for personal reasons, resulting costs (non-refundable fares, hotel penalties) are the traveler's personal responsibility
Upgrades — hotel room, car rental category, seat	Standard categories are reimbursed; any upgrade to a higher category is a personal cost unless pre-approved
Purchases using AIU's institutional credit card for personal items	Any personal item charged to an institutional card must be reimbursed to AIU within 10 working days of the expense appearing on the card statement
Frequent flyer miles-earned tickets	Where tickets are purchased with frequent flyer miles, there is no reimbursable cost - miles are a personal asset
Travel advances not reconciled within 30 days of return	Where a travel advance is not reconciled within 30 days, the outstanding amount is deducted from payroll in the following month after written notice

Article 5: Airfare - Additional Provisions

1. **Booking Principles**

Airfare must be booked in economy or coach class at the most economical available fare consistent with the required travel dates. The traveler must balance cost against efficiency, an extremely cheap fare requiring an excessively long layover or inconvenient routing may not represent best value. The traveler should note their reasoning in the Travel Request where a slightly higher fare is selected for efficiency reasons.

2. Business Class - Limited Exception

Business class airfare is reimbursed only where:

a. The flight duration exceeds eight hours on a single leg and business class is approved in writing by the President before the ticket is purchased
b. The traveler has a documented medical condition, certified by a licensed physician, that prevents travel in economy class, and the exception is approved in advance in writing by the President

Where business class is approved under either ground, the traveler purchases the ticket; AIU reimburses the full business class fare from the travel budget as an approved exception. The approval documentation is attached to the Expense Report.

3. Upgrades and Add-Ons

Seat selection fees up to KWD 15 per flight leg are reimbursable where seat selection is not included in the base fare. All other upgrade and add-on fees, priority boarding, additional legroom, meal upgrades, and similar, are personal expenses. Baggage fees are reimbursable for one checked bag per flight leg, consistent with Article 3.

4. Personal Travel Combined with Institutional Travel

Where a traveler combines institutional travel with personal travel (for example, extending a conference trip for personal tourism), the reimbursable airfare is the economy-class cost of travel between Kuwait and the institutional destination and back, regardless of whether the actual itinerary includes personal extensions. The traveler must provide documentation showing the equivalent direct-flight cost. Any additional cost arising from the personal extension is the traveler’s personal responsibility. The per diem for days spent on personal travel is not reimbursable.

5. Cancelled and Changed Flights

Airline change fees are reimbursable where the change was necessitated by institutional circumstances - for example, where a meeting was rescheduled, the institution required early return, or the traveler was ill. Change fees arising from personal preference or poor planning are not reimbursable. Where a non-refundable ticket cannot be used, the unused ticket value is documented and, where the airline issues a travel credit, the credit is returned to AIU for use by other institutional travelers.

Article 6: Travel Advances

A travel advances a payment made to the traveler before the trip may be requested where the traveler would otherwise need to incur significant out-of-pocket costs in advance of being able to claim reimbursement. Travel advances are not available as a matter of routine; they are approved at the Director of Finance's discretion for trips involving large upfront costs, long trips, or travelers who do not hold an institutional credit card.

a. A travel advance request must be submitted at least 10 working days before the departure date. Advances submitted within five working days of departure will not be processed.
b. The advance amount must not exceed the approved estimated total travel cost. Advances are paid to the traveler by bank transfer to their registered payroll account.
c. The traveler must reconcile the travel advance against the Expense Report within 30 days of return. Where actual expenses are less than the advance, the traveler returns the difference to Finance within 30 days of return. Where actual expenses are more, the difference is included in the Expense Report for reimbursement.
d. Travel advances not reconciled within 30 days of return, without written Director of Finance extension are treated as outstanding salary advances and recovered from the traveler’s next payroll payment after written notice.
e. A traveler with an unreconciled travel advance from a previous trip is not eligible for a new advance until the previous advance is fully reconciled.

Article 7: Business Entertainment

Business entertainment, a meal, event, or hospitality activity hosted on behalf of AIU for external parties in connection with institutional business, is a separate expenditure category, not covered under this policy's travel and per diem framework. The following provisions govern business entertainment:

a. Business entertainment requires prior written approval from the President for any event costing more than KWD 50 per attendee or KWD 300 in total.
b. The Expense Report for business entertainment must specify: the date, venue, and total cost; the names and institutional affiliations of all external attendees; and the institutional business purpose of the event.
c. Entertainment involving exclusively AIU employees does not qualify as business entertainment. Meals between AIU colleagues are not reimbursable except where the meal is a working meeting with a documented agenda, in which case it is reimbursed at a maximum of KWD 10 per person.
d. Alcohol is not reimbursable under any entertainment category.
e. Entertainment expenses charged to a travel account are not permitted, they must be claimed separately using the business entertainment process.
f. Annual business entertainment expenditure across the institution is reported to the Board Finance Committee as part of the quarterly financial report.

Article 8: Expense Report - Submission and Processing

1. Submission Requirements

Every traveler must submit a completed Expense Report within 30 days of the conclusion of the trip. The Expense Report must include:

a. A cover sheet identifying the traveler, the destination, the dates of travel, the institutional purpose, and the total amount claimed

b. Original itemized receipts for every expense claimed, organized by expense category and date
c. Currency conversion calculations for all foreign-currency expenses, with the conversion rate and source stated
d. The approved Travel Request, attached as supporting documentation
e. Where a conference is involved: the conference program, registration confirmation, and any documentation required by FAC-008
f. Where a pre-approved exception was obtained: the written exception approval, attached
g. The traveler's personal certification that all expenses claimed are genuine, business-related, and not previously reimbursed from any other source

2. Submission Deadline and Late Reports

Expense Reports must be submitted within 30 days of return. Reports submitted between 31 and 60 days after return require President approval before they are processed. Expense Reports submitted more than 60 days after return will not be processed without Board Finance Committee approval, which is required because late processing at this stage creates an accounting irregularity that the external auditor will note. The 60-day rule has no exceptions based on seniority. Where a traveler is unable to submit on time because of illness or institutional emergency, a written extension must be requested from the President before the 30-day deadline passes.

3. Approval of Expense Reports

Expense Reports are approved by the same authority who approved the original Travel Request, or by that authority's delegate. The approving authority confirms that: the expenses are consistent with the approved Travel Request; all receipts are present; the amounts claimed are within policy; and there are no prohibited expenses included. Where the Expense Report includes any item that appears to exceed policy or for which the receipt is unclear, the approver returns it to the traveler for correction before it is submitted to Finance.

4. Finance Processing and Payment

The Director of Finance or their designate reviews all Expense Reports for policy compliance before processing for payment. Payment is made by bank transfer to the traveler's registered payroll account within 10 working days of the Finance Department receiving a complete and approved Expense Report. Where an Expense Report is returned by Finance for correction or additional documentation, the 10-day processing timeline begins again on receipt of the corrected submission.

5. Missing Receipts

Where a receipt is genuinely lost (not merely misplaced or forgotten), the traveler submits a Missing Receipt Declaration in lieu of the original receipt. Declarations are accepted up to twice per trip and no more than four times per year per traveler. Declarations must state the vendor's name, date, amount, and reason the receipt is unavailable. More than four declarations per year triggers a review by the Director of Finance. Repeated patterns of missing receipts may result in restrictions on future travel advances or travel approval.

Article 9: Institutional Credit Cards for Travel

AIU may issue institutional travel credit cards to specific employees whose roles require frequent travel. The following rules govern institutional credit card use:

a. Institutional travel credit cards may be used only for approved institutional travel expenses within the categories and ceilings defined in this policy. Personal purchases on an institutional card are prohibited.
b. The cardholder is personally responsible for the full reconciliation of every transaction on the card. The monthly card statement is not an Expense Report — each charge must be individually coded, documented with a receipt, and approved through the standard Expense Report process.
c. Personal charges inadvertently made on an institutional card must be reimbursed to AIU within 10 working days of the statement date on which the charge appears. Failure to reimburse within 30 days triggers deduction from payroll after written notice.
d. Cash advances on institutional credit cards are not permitted.
e. When an employee's role changes or they leave AIU's employment, the institutional credit card must be returned to Finance immediately. The Director of Finance reserves the right to cancel any institutional credit card where the cardholder's usage does not comply with this policy.

Article 10: Non-Employee Travel Reimbursement

Where AIU has agreed to reimburse the travel expenses of a non-employee such as a visiting speaker, recruitment candidate, visiting scholar, or accreditation reviewer the following provisions apply:

a. The agreement to reimburse must be made in writing before the trip occurs, stating the categories and maximum amounts AIU will cover
b. Non-employees are reimbursed on the same expense categories and at the same ceilings as employees, unless a specific written exception has been approved by the President
c. Non-employees are reimbursed by bank transfer or cheque within 15 working days of submitting a valid expense claim with receipts to the Finance Department
d. AIU does not reimburse non-employees for per diem claims without receipts - per diem without receipts applies only to AIU employees for whom the daily allowance framework is a recognized payroll arrangement
e. Where a student travels on authorized institutional business, they are treated as an employee for purposes of this policy and must follow the same pre-approval and expense reporting process

Article 11: Disputes and Policy Exceptions

Where a traveler disputes a Finance Department decision to disallow or reduce an expense claim, the following process applies:

a. The traveler submits a written dispute to the Director of Finance within 10 working days of receiving the disallowance decision, providing additional documentation or arguments in support of the claim
b. The Director of Finance reviews the dispute and issues a written decision within five working days
c. Where the traveler remains dissatisfied, they may escalate to the President within five working days of the Director of Finance's decision. The President's decision is final at the administrative level
d. A pre-approved exception: a specific advance authorization to incur an expense outside the standard ceilings, may be sought from the Director of Finance before the expense is incurred. Exceptions sought after the fact are generally not granted. The Director of Finance reports all approved exceptions to the President quarterly

Article 12: Travel Policy Violations

Violation of this policy including submission of false expense claims, claiming expenses for personal activities, failing to return travel advances, or repeatedly exceeding expense ceilings without authorization constitutes a breach of institutional financial integrity. Consequences include:

a. For first-time minor violations: written reprimand and mandatory completion of travel policy training
b. For repeated or deliberate violations: formal disciplinary action under the applicable HR policy, up to and including termination
c. For fraudulent expense claims: immediate suspension and referral to the President and Board; HR disciplinary process including potential termination and referral to appropriate authorities
d. Any amount overpaid as a result of a violation is recovered from the employee through payroll deduction following written notice

Retaliation against any person who reports a suspected travel policy violation in good faith is prohibited and is subject to the protections of GOV-003 (Whistleblower Protection Policy).

Procedures

The following procedures govern the administration of this policy.

Submitting and Approving a Travel Request

1. The traveler completes the AIU Travel Request Form (available on the Finance Department intranet page) and submits it to their approving authority at least the required advance period before departure (see Article 2.2).

2. The approving authority reviews the request for institutional purpose, budget availability, and policy compliance. Where approved, the authority signs and forwards to Finance for budget confirmation. Where declined, the traveler is notified with a reason within two working days of submission.
3. Finance confirms budget availability and returns the countersigned Travel Request to the traveler. No bookings are made until the countersigned Travel Request is received.
4. The traveler retains the approved Travel Request and attaches it to the post-travel Expense Report. The Finance Department retains a copy as the authorized expenditure record.

Post-Travel Expense Reporting

1. Within 30 days of return, the traveler completes the AIU Expense Report, attaches all receipts and supporting documents, and submits it to their approving authority with a personal certification that all expenses are genuine and business-related.
2. The approving authority reviews the Expense Report for policy compliance, confirms that all expenses match the approved Travel Request purpose, and approves or returns with comments within five working days.
3. The approved Expense Report is submitted to Finance. Finance processes valid reports within 10 working days. Incomplete or non-compliant reports are returned to the traveler with specific deficiencies noted.
4. Finance processes reimbursement by bank transfer to the traveler's registered payroll account. The traveler receives an email confirmation of the payment amount and payment date.
5. All Expense Reports and supporting documents are filed by Finance as official financial records, available to the external auditor and to Accrediting agency upon request. Records are retained for a minimum of seven years.

Travel Advance Request and Reconciliation

1. The traveler submits a Travel Advance Request to Finance at least 10 working days before departure, specifying the purpose, amount, and anticipated expense breakdown.
2. Finance reviews the request and, if approved by the Director of Finance, processes the advance by bank transfer within five working days of approval.
3. On return, the traveler completes the standard Expense Report and includes a Travel Advance Reconciliation section showing: the advance amount received; the actual expenses claimed; the net amount owing (either a refund to AIU or an additional reimbursement to the traveler). The refund or additional payment is processed at the same time as the Expense Report.
4. Unreconciled advances after 30 days are flagged by Finance to the VP Administration and HR for payroll recovery action.

Annual Rate Schedule Review

1. By 1 November each year, the Director of Finance reviews the per diem and expense ceiling rates in Article 3 against current market conditions in key travel destinations, taking into account Kuwait

Central Bank exchange rate trends, Gulf institutional comparators, and the institution's overall financial position.

2. Proposed rate adjustments are presented to the President for approval by 15 November and communicated to all staff by 1 December, effective from 1 January of the following year.
3. The updated rate schedule is published on the Finance Department intranet page and in the AIU Travel Quick Reference Guide issued to all employees.

President Signature	Signature: ________________________ Date: __________

AIU AMERICAN INTERNATIONAL UNIVERSITY الجامعة الأمريكية الدولية	Policy Main Title	Financial Aid and Scholarship Policy	Effective Date	14/06/2026
	Category	Finance	Last Review date	
	Policy Number	FIN-007	Next Review date	14/06/2028
	Responsible Entity	VPAA	Approved By	Board of Trustees

Overview

Financial aid and scholarships are among the most consequential aspects of an institution's relationship with its students. They affect who can access an AIU education, how students experience their financial obligations during their studies, and how AIU represents itself to prospective students and their families. For Accrediting agency, this domain is examined through truthful and transparent representation of cost and financial aid to students and information about the costs of attending and the financial aid available. Both standards require that financial aid practices be honest, consistently applied, equitable, and well-documented.

AIU's current financial aid landscape is shaped primarily by the Kuwait regulatory environment. As a PUC-registered private university, AIU accepts Kuwaiti government scholarship students sponsored through the Private Universities Council (PUC) a program that currently constitutes the most significant form of financial aid available to Kuwaiti students at private universities. AIU also accepts students sponsored by their employers, students using external scholarships from foundations and government bodies, and self-funded students.

This policy establishes the comprehensive framework for all financial aid and scholarship activity at AIU. It governs PUC and government scholarship administration, the institutional scholarship programs AIU is committing to develop and fund, employer sponsorship arrangements, the Student Support Fund, external scholarship coordination, the combination rules that prevent double-funding, disclosure obligations, and the governance of the financial aid budget. It is read alongside FIN-003 (Tuition, Fees, and Student Financial Accounts Policy), which governs the billing and payment mechanisms through which all aid is applied.

Scope

This policy applies to all enrolled and prospective students at AIU who receive, apply for, or are administered any form of financial support toward their educational expenses at AIU, including government scholarships, institutional scholarships, employer sponsorships, external scholarships, and need-based institutional support. It applies to all AIU units involved in financial aid administration, Admissions, the Registrar's Office, the Finance Department, the Office of Student Affairs, and the Office of the VPAA, and to all agents, representatives, and staff who communicate financial aid information to current or prospective students.

Purpose

The purposes of this policy are to:

- Establish a transparent, equitable, and consistently applied framework for all forms of financial aid at AIU, consistent with accreditation requirements
- Define AIU's obligations in the administration of PUC government scholarships and ensure full compliance with PUC scholarship rules and conditions

- Establish the AIU institutional scholarship program, the Merit Scholarship and the Student Support Fund, including eligibility criteria, coverage, renewal conditions, and budget governance
- Define the framework for employer sponsorships and external scholarship coordination
- Establish combination rules that prevent students from receiving financial support exceeding their total tuition obligation
- Ensure that AIU's financial aid communications to prospective and enrolled students are truthful, complete, and consistent with this policy
- Establish the governance structure for the financial aid budget, including annual Board oversight and the reporting requirements that connect financial aid to AIU's broader financial sustainability framework
- Define the appeal and review rights of students who are denied financial aid or whose aid is reduced or terminated

Definitions and Abbreviations

Financial Aid: Any form of financial support provided to a student, by AIU, by the Kuwait government, by an employer, or by an external body, toward their educational expenses at AIU.

Scholarship: A merit-based or need-based award of financial aid, typically applied as a tuition credit or reduction, that does not require repayment.

PUC Scholarship: A government scholarship administered by the Private Universities Council (PUC) of the Kuwait Ministry of Higher Education, provided to eligible Kuwaiti students at registered private universities. The scholarship covers tuition fees at the PUC-approved rate.

MOE Scholarship: A scholarship administered directly by the Kuwait Ministry of Education, distinct from the PUC scholarship, for eligible Kuwaiti students.

Institutional Scholarship: A scholarship funded directly from AIU's institutional budget, including the AIU Merit Scholarship (Article 5) and the AIU Student Support Fund (Article 6).

Employer Sponsorship: A financial arrangement under which an employer directly pays all or part of an enrolled student's tuition to AIU under a formal Institutional Sponsorship Agreement, or provides documented reimbursement to the student for their tuition.

External Scholarship: Any scholarship awarded to an enrolled or prospective AIU student by an entity outside AIU, including foundations, corporations, professional associations, or foreign governments, that is applied toward the student's AIU tuition.

Student Support Fund: AIU's need-based institutional aid program, funded from the annual institutional budget, providing tuition credits to undergraduate students experiencing documented and unforeseen financial hardship. Governed jointly by this policy and FIN-003.

Merit Scholarship: An AIU institutional scholarship awarded to undergraduate students based on academic performance either at entry (Excellence Admission Award) or during their enrolment (Academic Distinction Award). Governed by Article 5.

Scholarship Combination: Any situation in which a student simultaneously receives financial aid from more than one source. The total financial aid received from all sources may not exceed the student's total tuition liability for the relevant semester.

Financial Aid Budget: The annual budget allocation by the Board of Trustees for all AIU-funded financial aid, including institutional scholarships and the Student Support Fund. Distinct from PUC scholarship funds, which are provided by the government and do not reduce AIU's net revenue.

Policy

Article 1: Financial Aid at AIU: Types and Current Institutional Position

AIU recognizes the following categories of financial aid. The full summary of each type, including eligibility, coverage, and funding source, is provided in the table below, followed by the detailed provisions in the succeeding articles.

Aid Type	Eligibility	Coverage	Funding Source
PUC Government Scholarship	Kuwaiti nationals and sons/daughters of Kuwaiti mothers; recent high school graduates; meeting minimum grade requirements	Tuition fees only at PUC-approved rates; does not cover ancillary or late fees	Kuwait Ministry of Higher Education administered by PUC
Kuwait MOE External Scholarship	Kuwaiti students enrolled in an approved AIU program; not employed by any government agency; full-time enrolment required	Tuition fees at PUC-approved rates, subject to MOE rules	Kuwait Ministry of Education
Employer / Company Sponsorship	Any enrolled student whose employer has signed an AIU Institutional Sponsorship Agreement	As specified in the sponsorship agreement typically full or partial tuition	Corporate, government, or another institutional employer
AIU Merit Scholarship	Undergraduates only; specific GPA or high school performance	Percentage of tuition for the awarded	AIU institutional budget activated per Article 5 of this policy

	criteria; enrolled in minimum standard credit load	semester; not transferable to fees	
AIU Need-Based Support Fund (Student Support Fund)	Undergraduates in good academic standing; documented financial hardship; not already on full government scholarship	Tuition credit applied to account not disbursed as cash	AIU institutional budget separate line from Merit Scholarship
Private/External Scholarships	Any enrolled student; subject to external scholarship body's criteria	As specified by the scholarship body	External foundations, companies, or government bodies not covered above
Partial Employer Tuition Assistance	Employees of companies without a full AIU sponsorship agreement	Up to the amount specified by the employer; student responsible for balance	Employer payment directly to AIU or reimbursement to student

Institutional position as of the effective date of this policy: AIU does not currently offer institutional scholarships funded from the university's operational budget. Financial aid to enrolled students is provided through PUC government scholarships, employer sponsorships, and external scholarships not from AIU's own funds. This policy establishes the framework within which AIU will develop and activate its institutional scholarship programs as the institution's financial sustainability and enrolment growth permit. The Board of Trustees must approve the Financial Aid Budget allocation before any institutional scholarship program is activated. The activation status of each program is confirmed in the Annual Financial Aid Report (Article 10).

Article 2: AIU's Financial Aid Principles

All financial aid activity at AIU is governed by the following principles:

a. Transparency: All financial aid types, eligibility criteria, coverage, renewal conditions, and application processes are publicly documented on AIU's website, in the Student Handbook, and in Admissions materials. No scholarship is offered, implied, or communicated to a prospective student in terms that differ from those published in this policy.

b. Consistency: Scholarship criteria are applied consistently to all eligible students. No exception to stated eligibility criteria is made without written President approval, documented in the financial aid record.
c. Equity: Financial aid is distributed in accordance with stated criteria without regard to the student's nationality (except where nationality is a specific legal criterion of the scholarship type, such as for PUC scholarships), gender, religion, or personal connections.
d. Non-duplication: The combined total of all financial aid received by a student from all sources, government, institutional, employer, and external, may not exceed the student's total tuition liability for the relevant semester. Where the combination would exceed tuition, AIU's institutional aid is reduced first to avoid overpayment.
e. Financial sustainability: The Financial Aid Budget is set annually by the Board and is a ceiling, not a floor. AIU does not commit to financial aid that would compromise the 90-day operating reserve or the financial sustainability provisions of FIN-001. Financial aid commitments are funded, not aspirational.
f. Student rights: Students who are denied, reduced, or terminated from financial aid have a formal right of review under Article 9 of this policy. Students are not penalized academically as a result of a financial aid review or dispute that is pending resolution.
g. Honest representation: AIU does not represent financial aid as available or likely where this policy has not yet activated the relevant program, or where a student does not meet the stated eligibility criteria. No Admissions staff member or representative communicates financial aid information to a prospective student in terms inconsistent with this policy.

Article 3: PUC Government Scholarship Administration

The PUC scholarship is the most significant form of government-funded student financial support at AIU. AIU administers PUC scholarship students in strict compliance with PUC scholarship rules and conditions, as published by the PUC and updated annually. The following table summarizes the key PUC rules and their operational implications for AIU:

PUC Rule	**Operational Implication for AIU**
Covers tuition fees and Other Fee of KD.25 per enrolled student	AIU bills PUC for tuition at the PUC-approved rate and Other Fee of KD.25 per enrolled student for each of the Fall and Spring Semesters. For the Summer Session, PUC shall pay tuition fees only, and no Other Fee shall be applicable. All other fees, student services, technology, library, late registration, are the student's personal responsibility and must be paid directly to AIU.

Does not cover late registration fees or withdrawal fees beyond grace period	AIU enforces full fee liability for all PUC scholarship students for fees not covered. PUC scholarship does not exempt a student from financial holds arising from unpaid ancillary fees.
Student must enroll in full academic load (minimum 12 credit hours)	AIU verifies enrolment at census date. Where a PUC student falls below 12 credit hours without PUC approval, AIU notifies PUC and the scholarship may be adjusted.
Student may not change major without PUC scholarship committee approval	Registrar flags any major change request by a PUC scholarship student for PUC notification before the change is processed.
Scholarship cancelled upon academic dismissal	AIU notifies PUC within 5 working days of any PUC scholarship student being academically dismissed. PUC is notified of academic probation at the end of each semester.
Foundation program covered for maximum two semesters only	AIU tracks Foundation Program enrolment of PUC scholarship students. Students who do not progress beyond Foundation within two semesters may face scholarship cancellation per PUC rules.
High school certificate must be within 26 months of graduation	Admissions confirms this at time of application. Students whose certificate exceeds 26 months are ineligible for PUC scholarship regardless of AIU admission status.
Priority admission by highest high school GPA within available seats per discipline	AIU allocates PUC scholarship seats per program as agreed with PUC. Once seats are filled, no further PUC scholarship students are admitted in that discipline for that cycle.
Student must be Kuwaiti national or son/daughter of a Kuwaiti mother	Admissions verifies civil ID and mother's nationality at application. Non-Kuwaiti students and children of Kuwaiti fathers are ineligible.

Prior PUC scholarship that was cancelled or withdrawn disqualifies applicant	Admissions collects a PUC declaration from each applicant confirming no prior cancelled scholarship. False declaration is grounds for scholarship termination and return of paid amounts.

1. AIU's Administrative Obligations for PUC Scholarship Students

AIU's obligations in connection with PUC scholarship students include:

a. Verifying each scholarship applicant's eligibility before confirming their scholarship seat, in coordination with PUC's electronic system
b. Allocating PUC scholarship seats by program as agreed with PUC each cycle. Once a program's allocated seats are filled, AIU confirms no further PUC scholarship students in that discipline until the next cycle
c. Billing PUC for tuition at the PUC-approved rate following the Add/Drop census date each semester, as governed by FIN-003 Article 6
d. Notifying PUC within five working days of any PUC scholarship student's: academic dismissal; major change request; voluntary withdrawal from the university; or failure to maintain the required full-time enrolment load without PUC approval
e. Maintaining complete, accurate records of all PUC scholarship students' enrolment, academic standing, and billing status available for PUC audit at any time
f. Refunding any PUC overpayment within 30 working days of the scholarship cancellation or withdrawal event, as specified in FIN-003

2. PUC Scholarship and AIU Fee Obligations

For PUC scholarship students, PUC shall pay AIU KD 25 per student as other fees to cover all non-tuition charges. AIU shall not impose or collect any additional non-tuition fees from PUC scholarship students, including, but not limited to, student services fees, technology fees, LMS fees, library fees, or any other similar charges.

Article 4: Kuwait MOE External Scholarship Administration

The Kuwait Ministry of Education administers separate scholarship programs for Kuwaiti students that are distinct from the PUC internal scholarship. AIU accepts students sponsored under MOE external scholarship programs that designate AIU as an approved institution. The following provisions govern MOE scholarship students:

a. MOE scholarship students must submit the official MOE Sponsorship Letter to the Student Accounts Office no later than the end of the first week of each semester for which sponsorship is claimed, as specified in FIN-003 Article 6.

b. AIU bills the MOE for tuition at the PUC-approved rate through the official MOE billing channel. The same billing, refund, and enrolment notification obligations as for PUC scholarship students apply to MOE scholarship students.
c. Where the MOE scholarship conditions differ from PUC scholarship conditions, for example, regarding the permitted credit load, change of major, or scholarship renewal, the MOE conditions govern, and AIU follows the MOE's written instructions.
d. Students holding an MOE external scholarship who also apply for an AIU institutional scholarship are not eligible for AIU institutional aid, as government sponsorship already covers tuition. The combination rule in Article 8 applies.

Article 5: AIU Merit Scholarship Program

The AIU Merit Scholarship Program recognizes and rewards academic excellence. The program is based on available number of seats offered every year; the Board sets the number seats at the beginning of each academic year. These Scholarship Program is only applicable for Self-pay students. The program is activated by Board approval of the Financial Aid Budget allocation for the relevant academic year. The seats are offered on academic merit competitive basis. Until activation is confirmed, these scholarships are not offered or implied to prospective students. When activated, the following tiers and conditions apply:

Award Category	**Tuition Discount**	**Key Conditions**
A: Excellence Admission Award	50% tuition reduction for first semester only	High school grade ≥ 90% (scientific track or arts track); new first-year student only; not combinable with government scholarship.
B: Academic Distinction Award - Tier 1	50% tuition reduction for next semester	Semester CGPA 3.90–4.00 in preceding semester; minimum 15 credit hours registered in that semester; undergraduate students only
C: Academic Distinction Award - Tier 2	35% tuition reduction for next semester	Semester CGPA 3.70–3.89 in preceding semester; minimum 15 credit hours registered; undergraduate students only

D: Academic Distinction Award - Tier 3	20% tuition reduction for next semester (4th Semester)	Semester CGPA 3.50–3.69 in preceding semester; minimum 15 credit hours registered; undergraduate students only
E: Dean's List Acknowledgement (not a tuition scholarship)	Certificate and formal notation on academic record	Semester GPA ≥ 3.70; minimum 12 credit hours; not on academic probation; awarded each semester, no tuition benefit attached

1. General Conditions for All Merit Scholarship Awards

a. Merit scholarships are applicable to tuition only. They are not applied to mandatory fees, optional fees, late charges, or any other obligation on the student's financial account.

b. Merit scholarships are not combinable with PUC or MOE government scholarships (which already cover tuition). A student on a government scholarship who also achieves distinction is recognized through the Dean's List (Award E), but no additional tuition reduction applies.

c. Merit scholarships are applied automatically by the Student Accounts Office at the beginning of the eligible semester, students do not apply for Distinction Awards B, C, or D. The Excellence Admission Award (Award A) is applied at first enrolment. The Dean's List acknowledgement (Award E) is issued by the Registrar at the end of each qualifying semester.

d. A student whose semester GPA falls below the required threshold in the semester for which a Merit Scholarship was awarded does not lose the scholarship retroactively for that semester. However, no Merit Scholarship is awarded for the following semester unless the new semester's GPA again meets the threshold.

e. A student on academic probation is not eligible for a Merit Scholarship in the probationary semester regardless of GPA, as academic probation reflects standing concerns that supersede a single-semester GPA calculation.

f. The AIU Merit Scholarship is not transferable to another student. It lapses if the student withdraws, takes a leave of absence, or is academically dismissed.

g. The total annual financial aid budget consumed by Merit Scholarships is monitored by the Director of Finance and reported to the President for the Board Finance Committee quarterly. If the Merit Scholarship budget ceiling is projected to be exceeded in each semester, the Director of Finance consults with the VPAA on whether to honor all earned awards within budget by reducing each by a proportional amount, or to seek exceptional President and Board approval for an increased allocation. No scholarship earned is cancelled without written notification to the student and VPAA approval.

2. Excellence Admission Award - Additional Conditions

The Excellence Admission Award (Award A) is available to new students with high school grades of 90% or above (scientific track) or 87% or above (arts track). The following additional conditions apply:

a. The award applies to the first semester of AIU enrolment only. It is a one-time, non-renewable award.
b. The award is based on the high school grade on the official authenticated transcript submitted at admission. Grade appeals or corrections after enrolment cannot retroactively activate the award.
c. The award is not available to transfer students, Foundation Program students transitioning to degree programs, or students who have previously enrolled at any university.
d. A student who receives the Excellence Admission Award and subsequently qualifies for an Academic Distinction Award (Awards B, C, or D) in the second semester may receive the Distinction Award in that semester — the awards do not conflict as they apply to different semesters.

Article 6: AIU Student Support Fund

The AIU Student Support Fund (SSF) provides need-based financial assistance to enrolled undergraduate students experiencing documented and genuine financial hardship. The SSF is funded from the annual institutional budget and is separate from the Merit Scholarship. It is activated by Board approval of the annual Financial Aid Budget allocation and is not available until activated.

1. Eligibility Criteria

A student is eligible to apply for SSF support where all of the following conditions are met:

a. The student is enrolled in an undergraduate degree program at AIU
b. The student holds a minimum cumulative CGPA of 2.0 at the time of application students on academic probation are not eligible
c. The student is not receiving a full tuition scholarship from a government body (PUC, MOE) or from an employer for the same semester
d. The student is not in their first semester at AIU SSF is available from the second semester onward
e. The financial hardship is the result of a documented unforeseen event or emergency arising during or immediately before the current semester, not the result of chronic financial circumstances that were present at the time of enrolment
f. The student has not received SSF support in the preceding two semesters SSF is not an ongoing annual award but a one-time or infrequent emergency mechanism

2. SSF Coverage and Application

1. The SSF provides a tuition credit applied directly to the student's financial account. It does not cover mandatory fees, optional fees, or outstanding balances from previous semesters. The

amount awarded is determined by the SSF Review Committee based on the nature and extent of the documented hardship and the available budget allocation.

2. Applications are submitted through the Finance Department during the published SSF application window (typically the first three weeks of each semester). Applications submitted after the close of the window are not considered for that semester. Applications must include:
   - A completed SSF Application Form
   - A written statement describing the nature and timing of the financial hardship
   - Supporting documentation — medical certificate, employment loss notification, death certificate, or equivalent, as relevant to the circumstances
   - A copy of the student's most recent official transcript confirming CGPA and current enrolment

3. SSF Review Committee

Applications are reviewed by the SSF Review Committee, comprising the Director of Finance (Chair), the VPAA, and the Dean of Student Affairs. The Committee meets within ten working days of the application deadline and determines the level of support for each application. Committee deliberations are confidential. Decisions are communicated to applicants through the Finance Department within five working days of the Committee's determination. The Student Accounts Office applies approved credits to the student's financial account within three working days of the Committee's decision.

4. SSF Budget and Annual Reporting

The SSF budget is established annually by the Board Finance Committee as a ring-fenced line item within the Financial Aid Budget. The Director of Finance reports SSF applications received, awards made, amounts disbursed, and remaining balance to the Board Finance Committee quarterly. Where SSF applications in each semester exhaust the allocated SSF budget, remaining applications for that semester are declined and applicants are notified with guidance on alternative support. The SSF budget cannot be supplemented mid-year without Board Finance Committee approval.

Article 7: Employer Sponsorship Arrangements

AIU actively encourages employer sponsorship of students as a means of supporting student access to higher education and building strong institutional relationships with Kuwaiti and regional employers. The following provisions govern employer sponsorship:

1. Institutional Sponsorship Agreement

Employers who wish to sponsor one or more current or prospective AIU students must sign an AIU Institutional Sponsorship Agreement with the Finance Department. The Agreement specifies: the identity of the employer; the student or students sponsored; the academic program and expected duration of study; the amount of tuition covered (full or partial, per semester or per year); the invoicing process;

payment terms; and the employer's obligations in the event of the student's withdrawal, academic dismissal, or change of program.

2. Billing and Payment

AIU invoices sponsoring employers on a semester basis, within two weeks of the census date, for the contracted tuition amount per student. Payment terms are net 30 days from invoice date unless otherwise specified in the Agreement. Employer payments received more than 30 days after the invoice date may attract a late payment fee consistent with FIN-003. Students sponsored by an employer remain personally responsible for any portion of their tuition and fees not covered by the employer, and for all mandatory fees in all cases.

3. Partial Employer Tuition Assistance

Where an employer provides partial tuition assistance to an employee-student outside a formal Institutional Sponsorship Agreement, for example, through a reimbursement scheme, the student must notify the Finance Department of this arrangement. The students pay their tuition in full by the payment deadline and claims reimbursement from their employer separately. AIU does not coordinate billing with employers under partial tuition assistance arrangements unless a formal Agreement is in place.

Article 8: External Scholarships

External scholarships, awarded by foundations, corporations, professional associations, and government bodies other than the Kuwait PUC and MOE, are welcomed and supported by AIU. The following provisions govern external scholarship recipients:

a. Students who have been awarded an external scholarship must notify the Finance Department before the payment deadline of the semester for which the scholarship applies, providing a copy of the scholarship award letter or agreement.
b. External scholarships are applied to the student's financial account as a credit against tuition, up to the total tuition liability for the relevant semester. The combination rule in Article 9 applies — the total aid from all sources may not exceed the tuition due.
c. Where an external scholarship is paid directly to AIU by the scholarship body, the Finance Department records the payment and applies it to the student's account within three working days of receipt.
d. Where an external scholarship is paid to the students for them to forward to AIU, the student must deliver the scholarship funds to the Finance Department by the payment deadline. Scholarship funds received by the student but not delivered to AIU by the deadline are treated as unpaid tuition, and the student is subject to the financial hold provisions of FIN-003.
e. External scholarship conditions, such as minimum GPA, full-time enrolment, or program restrictions are the responsibility of the student to maintain. AIU provides enrolment verification and transcript information to scholarship bodies on request, but AIU is not responsible for monitoring compliance with external scholarship conditions on behalf of the scholarship body or the student.

Article 9: Combination Rules - Scholarship Stacking

To ensure that no student receives financial support more than their actual tuition liability, and to comply with the financial sustainability requirements of FIN-001, the following combination rules apply to all forms of financial aid at AIU. The combination rules are applied by the Student Accounts Office at the point of account reconciliation each semester.

Aid Type	Combinable with PUC/MOE Scholarship?	Combinable with AIU Merit?	Combinable with SSF?
PUC / MOE Government Scholarship	—	No — government scholarship fully covers tuition; merit discount inapplicable	No SSF is for students without full government coverage
Employer / Company Sponsorship	Yes, different expense categories permitted	Only for any balance not covered by employer	Only for any balance not covered by employer
AIU Merit Scholarship	Not applicable (government scholarship takes precedence)	—	No merit and SSF cannot combine; merit is awarded first
AIU Student Support Fund (SSF)	Not applicable (government scholarship takes precedence)	Not awarded only where merit scholarship is not in effect	—
Private / External Scholarship	Yes, provided external body permits and combined total	Yes, provided external body permits and combined total	Only for any balance not covered by external scholarship

	does not exceed tuition	does not exceed tuition	
Partial Employer Tuition Assistance	Yes, for any balance not covered by employer	Yes, for any balance not covered by employer	Yes, for any remaining balance

Where multiple sources of aid, in combination, exceed the student's total tuition liability for a semester, the excess is managed as follows: first, any AIU institutional aid (Merit Scholarship or SSF) is reduced to bring the total aid within the tuition ceiling; then, the student's account is credited for the remaining eligible amount. No refund of surplus aid is given to the student where the excess arises from a combination of institutional and government or external sources the AIU contribution is simply not applied. Where the excess arises entirely from external or government sources without any AIU institutional component, the excess amount is returned to the originating source in accordance with that source's rules.

Article 10: Financial Aid Disclosure and Communication

AIU is committed to providing prospective and enrolled students with truthful, complete, and timely information about financial aid, consistent with accreditation requirements. The following disclosure standards apply:

a. The complete AIU Financial Aid and Scholarship Policy are published on AIU's website, in the Student Handbook (digital and print), and in all Admissions materials. Where printed materials are updated between print cycles, students are notified of changes through their institutional email.
b. All communications about financial aid in person, in writing, by telephone, and on AIU's social media channels must be consistent with this policy. No Admissions staff member or representative may imply that a scholarship is available, likely, or guaranteed where this policy has not yet activated the program, or where the student does not meet the stated criteria.
c. The Cost of Attendance disclosure published under FIN-003 Article 9 identifies the forms of financial aid available and directs students to this policy for full details. The Cost of Attendance for a government-sponsored student separately identifies the components covered by the scholarship and those for which the student remains personally responsible.
d. The annual Financial Aid Report produced by the Director of Finance by 31 January each year discloses: the activation status of each institutional scholarship program; the number of students in each aid category; total financial aid disbursed by type; the Financial Aid Budget and year-to-date utilization; and the SSF application-to-award ratio. This report is presented to the Board

Finance Committee and, in anonymized summary, to the Faculty Council. A version accessible to students and the public is posted on AIU's website.

e. Where AIU modifies the terms of any financial aid program including changes to eligibility criteria, coverage amounts, or combination rules currently enrolled students who would be adversely affected are notified in writing at least 90 days before the change takes effect, consistent with the FIN-003 change notification requirement.

Article 11: Financial Aid Appeals and Reviews

Any student who has been denied a scholarship, had their scholarship reduced, or received notification of scholarship termination has the right to seek a review of that decision. The following process governs financial aid appeals:

a. The student submits a written appeal to the Director of Finance within 10 working days of receiving the denial, reduction, or termination notice. The appeal must state the specific grounds, for example, that the eligibility criteria were incorrectly applied, that a calculation error was made, or that additional documentation was not considered and must include any relevant supporting documents.
b. The Director of Finance reviews the appeal within 10 working days and issues a written decision. Where the appeal involves academic standing data (such as CGPA verification), the Registrar's records are conclusive.
c. Where the student disagrees with the Director of Finance's decision, they may escalate to the VPAA within five working days. The VPAA's decision is final at the administrative level.
d. A pending financial aid appeal does not exempt the student from the payment deadline. If the appeal is successful, any excess payment is applied as a credit to the student's account for the following semester.
e. For PUC scholarship terminations and reductions, the appeal process is governed by PUC, not by AIU. AIU assists students in understanding the PUC appeal process and provides the required documentation but does not make final determinations on PUC scholarship appeals.
f. For SSF decisions, the SSF Review Committee's determination is communicated with a summary of the Committee's assessment. Students who wish to appeal may submit additional documentation to the Director of Finance within five working days of the Committee's decision. The Director of Finance may refer to the appeal to the SSF Committee for reconsideration, but the Committee's final determination is binding.

Article 12: Financial Aid Budget Governance

AIU's institutional financial aid, the Merit Scholarship Program and the Student Support Fund, is funded from the annual Financial Aid Budget, approved by the Board of Trustees. The following governance provisions apply:

a. The Director of Finance prepares a proposed Financial Aid Budget by 1 November each year for inclusion in the institutional annual budget submitted to the Board. The proposal includes: the activation status of each institutional scholarship program; the projected number of eligible students and total cost; the SSF budget; and the expected impact on net tuition revenue.

b. The Board approves the Financial Aid Budget as a specific line item within the annual institutional budget. No institutional scholarship program may be activated or expanded without Board approval of the corresponding budget allocation.
c. Financial aid commitments arising from the activation of a scholarship program in one academic year create a legitimate student expectation of renewal in subsequent years, provided the student continues to meet eligibility criteria. The Board is briefed annually on the forward-looking financial aid commitment arising from active programs.
d. The Financial Aid Budget is a ceiling. Where utilization is projected to exceed the approved ceiling, the Director of Finance consults with the VPAA and, if necessary, presents an in-year variance request to the Board Finance Committee before any additional commitments are made.
e. PUC and MOE government scholarship funding, which flows from the government to AIU at the PUC-approved tuition rate does not form part of the institutional Financial Aid Budget and does not reduce AIU's net tuition revenue. It is accounted for as a separate revenue line in the annual financial statements.
f. The annual Financial Aid Report (Article 10.4) constitutes the primary accountability document for Board oversight of financial aid. The Director of Finance ensures that the Report is complete, accurate, and consistent with the audited financial statements.

Procedures

The following procedures govern the administration of this policy.

PUC Scholarship Seat Allocation and Admissions Process

1. At the commencement of each admissions cycle, the VPAA and Admissions Director confirm with PUC the available scholarship seat allocation per program for the incoming cohort.
2. Admissions processes PUC scholarship applications through the PUC's electronic system, verifying each applicant's eligibility (nationality, high school certificate date, prior scholarship history) before confirming admission.
3. As PUC scholarship seats fill in each program, Admissions closes the scholarship pathway for that discipline for the current cycle. Remaining applicants may apply as self-funded or employer-sponsored students.
4. Admissions communicate the scholarship seat allocation status to prospective students in real time through the AIU Admissions web portal and through direct communication from Admissions staff.

Merit Scholarship Application and Disbursement

1. At the beginning of each academic year, the Student Accounts Office receives from the Director of Finance written confirmation that the Merit Scholarship program is activated for the current year with the approved budget amount.

2. Following the publication of semester grades, the Registrar identifies all students who qualify for an Academic Distinction Award (B, C, or D) in the following semester based on their preceding semester's CGPA and credit hours. The list is provided to the Student Accounts Office within five working days of the grade publication date.
3. The Student Accounts Office applies the relevant merit scholarship credit to each qualifying student's account before the billing statement for the following semester is issued. Students receive notification of the award amount by institutional email at the same time as their billing statement.
4. First-year students qualifying for the Excellence Admission Award receive the credit applied to their first-semester billing statement automatically - no separate notification or application is required beyond what is communicated in the Admissions offer letter.
5. If the total merit scholarship cost for a given semester is projected to exceed the approved budget, the Director of Finance consults with the VPAA before credits are applied, and presents an in-year variance request to the Board Finance Committee if necessary.

Student Support Fund Application and Award Cycle

1. The Finance Department publishes the SSF application window (open for three weeks from the first day of each regular semester) on the AIU website and communicates it to all students through institutional email within the first three days of the semester.
2. Students submit completed SSF Application Forms with all required supporting documents to the Finance Department before the close of the window. Incomplete applications are returned to the student for completion within 48 hours of submission, with a note that the corrected application must be resubmitted before the window closes.
3. The SSF Review Committee meets within 10 working days of the application window closing. The Committee reviews all complete applications against the eligibility criteria and the available budget. Awards are determined as a specific KWD credit per applicant. The Chair may request additional documentation from an applicant within five working days of the Committee meeting.
4. The Director of Finance communicates awards to the Student Accounts Office, which applies credits to student accounts within three working days of the Committee's determination. Students receive written notification of the award or denial by institutional email within five working days of the determination.
5. At the close of each semester, the Director of Finance reports SSF activity, applications, awards, amounts, and remaining budget, to the Board Finance Committee as part of the quarterly financial report.

Employer Sponsorship Agreement Process

1. An employer wishing to sponsor an AIU student contact the Finance Department to initiate the Institutional Sponsorship Agreement process. The Finance Department provides the standard Agreement template and discusses the terms.
2. The completed Agreement is reviewed by the Director of Finance and signed by the President on behalf of AIU. Agreements above KWD 25,000 in total committed value require President signature per the FIN-002 Authority Matrix.

3. Once the Agreement is signed, the Finance Department creates a sponsorship record in the student management system, linking the agreement to the student's financial account.
4. At the census date of each semester, the Finance Department generates an invoice to the employer for the contracted tuition amount. Payment is tracked against the net-30 payment term. Overdue employer payments are escalated to the President on day 45.
5. Where an employer's payment is more than 60 days overdue and cannot be resolved, the student is notified that their account will be reclassified as unpaid tuition. The student is given 10 working days to provide alternative payment or evidence that the employer dispute is being actively resolved before financial hold provisions are applied.

Annual Financial Aid Report

1. By 31 August each year, the Director of Finance prepares the Annual Financial Aid Report, covering the complete academic year. The Report covers: the activation status of each institutional scholarship program; the number of students in each aid category; total aid disbursed by type and by semester; the Financial Aid Budget approved versus actual utilization; SSF applications received versus awards made; PUC scholarship students by program; and employer sponsorship students by company.
2. The Report will be presented to the Board Finance Committee and the VPAA by 15 August. A summary is shared with the Faculty Council at its next scheduled meeting. An anonymized public version is posted on AIU's website by 28 February.
3. The Report's financial data must be consistent with the draft annual financial statements for the same period. Any discrepancy between the Report and the financial statements is identified and resolved before the financial statements are finalized.

President Signature	Signature: ________________________ Date: __________

	Policy Main Title	Asset Management and Inventory Control Policy	Effective Date	14/06/2026
AIU AMERICAN INTERNATIONAL UNIVERSITY الجامعة الأمريكية الدولية	Category	Finance	Last Review date	
	Policy Number	FIN-008	Next Review date	14/06/2029
	Responsible Entity	VP Administration	Approved By	Board of Trustees

Overview

Institutional assets, the buildings, laboratories, IT infrastructure, furniture, vehicles, and equipment through which AIU delivers its academic programs, represent a significant portion of AIU's total resources and a foundational condition of its educational capacity. How those assets are acquired, recorded, maintained, transferred, and eventually disposed of determines both the quality of the educational environment they support and the accuracy of the financial statements through which AIU accounts to its Board, its external auditor, and Accrediting agency.

This policy establishes AIU's complete framework for fixed asset and inventory management. It defines what constitutes a fixed asset at AIU, how assets are classified, tagged, recorded, depreciated, transferred, and disposed of, and how the institutional asset register is maintained, verified, and reconciled with the financial statements. It is grounded in the asset management expectations of physical resources and sound business practices.

Scope

This policy applies to all fixed assets and low-value assets owned or controlled by AIU, including assets acquired through purchase, donation, grant funding, or any other mechanism. It applies to all faculty, staff, administrators, and other persons who have assets assigned to their custody. It applies to all units of AIU, academic departments, administrative offices, the library, IT facilities, laboratories, and the campus facilities. It does not govern consumable supplies, perishable items, or items with a useful life of one year or less, which are governed by the operational expenditure provisions of FIN-002.

Purpose

The purposes of this policy are to:

- Establish a consistent, auditable framework for the identification, recording, capitalization, depreciation, and physical management of all fixed assets and low-value assets at AIU
- Define asset categories, capitalization thresholds, and depreciation lifetimes in a manner consistent with applicable accounting standards and the expectations of AIU's external auditor
- Establish the AIU Asset Management System (AMS) as the single authoritative register of all institutional assets, and define the process by which the AMS is maintained, updated, and reconciled with the financial general ledger
- Define the asset tagging, custodian assignment, and physical verification requirements that ensure accountability for every institutional asset
- Establish the transfer procedures by which assets move between departments, locations, or custodians within AIU
- Define the disposal framework, including redeployment, donation, auction, and scrapping, with appropriate financial and governance controls
- Establish the employee asset clearance requirements that apply whenever an employee leaves AIU

- Ensure that physical asset management supports AIU's audited financial statements and provides accurate, complete information to Accrediting agency regarding the physical resources supporting the educational mission

Definitions and Abbreviations

Fixed Asset: An item of tangible property owned or controlled by AIU with a useful life exceeding one fiscal year and a cost at or above the capitalization threshold established in this policy. Fixed assets are recorded in the Fixed Asset Register, depreciated over their useful lives, and reported on AIU's balance sheet.

Low-Value Asset: An item of tangible property with a useful life exceeding one fiscal year but with a cost below the capitalization threshold. Low-value assets are recorded in the AMS as a separate category but are expensed in the year of acquisition rather than capitalized on the balance sheet.

Capitalization Threshold: The minimum unit cost above which an item with a useful life exceeding one fiscal year must be recorded as a fixed asset rather than expensed. The threshold by asset category is specified in Article 2.

Asset Management System (AMS): The institutional software platform, or, until a dedicated system is implemented, the authoritative structured register maintained by the Asset Officer, in which all fixed assets and low-value assets are recorded with their full details.

Fixed Asset Register: The formal institutional record, maintained within the AMS and reconciled with the Finance Department's General Ledger, of all capitalized fixed assets at AIU.

Asset Code: A unique identification number assigned to each individual asset (or asset group for grouped items) in the AMS.

Asset Tag: A physical label affixed to an asset bearing the Asset Code and, where applicable, a barcode or RFID chip that allows the asset to be scanned for identification and verification purposes.

Custodian: The individual faculty or staff member to whom a specific asset is formally assigned in the AMS and who is personally accountable for its proper use, maintenance, and safekeeping.

Asset Officer: The designated AIU staff member within the Finance Department responsible for maintaining the AMS, coordinating physical verifications, administering asset tagging, processing transfer and disposal requests, and reconciling the AMS with the General Ledger.

Depreciation: The systematic allocation of a fixed asset's cost over its useful life, reducing the asset's book value on the balance sheet and recording an annual depreciation expense in AIU's income statement. AIU uses the straight-line method of depreciation unless otherwise approved by the Director of Finance.

Net Book Value: The current carrying value of a fixed asset on AIU's balance sheet, calculated as original cost minus accumulated depreciation.

Technical Condition Report: A formal written assessment by a qualified officer (IT Department, Facilities, or relevant department head) confirming the physical condition of an asset, either as fit for use, requiring repair, or beyond economical repair, which is required to support disposal decisions.

Disposal: The removal of an asset from AIU's Fixed Asset Register and physical possession, through redeployment, donation, auction, scrapping, or any other authorized mechanism.

General Ledger (GL): The master record of AIU's financial accounts maintained by the Finance Department. The Fixed Asset Register in the AMS must reconcile to the fixed asset accounts in the GL at all times.

Policy

Article 1: Governing Principles

Asset management at AIU is governed by the following principles:

a. Accountability: Every AIU asset is assigned to a named custodian who is personally accountable for its use, condition, and safekeeping. No asset exists without an assigned custodian. An asset without a custodian is a compliance failure.
b. Complete recording: Every asset meeting the criteria in this policy must be recorded in the AMS from the point of receipt, regardless of how it was acquired, the funding source, or whether the acquisition occurred through procurement, donation, or grant. No asset is permitted to operate in institutional spaces without an AMS record.
c. Reconciliation: The AMS Fixed Asset Register is reconciled with the Finance Department's General Ledger at least monthly. Any discrepancy between the AMS and the GL is investigated and resolved within 10 working days. Unresolved discrepancies are escalated to the Director of Finance and reported in the quarterly financial report to the Board Finance Committee.
d. Stewardship: Custodians are expected to maintain assets in good working condition, report damage or malfunction promptly, and use institutional assets only for institutional purposes. Personal use of institutional assets is prohibited, except where specifically authorized by this policy for computing devices.
e. Auditability: Every asset transaction, acquisition, tagging, transfer, disposal, is documented in the AMS and supported by an auditable paper trail. The external auditor relies on the AMS and supporting documentation to audit fixed asset balances; incomplete or undocumented asset records are a material audit risk.
f. Value preservation: Disposal of institutional assets should seek to maximize the value returned to AIU, whether through redeployment, sale, or donation to a charitable cause, before scrapping is considered.

Article 2: Asset Classification, Capitalization Thresholds, and Depreciation

All AIU assets are classified according to the categories below, each with a defined capitalization threshold and standard depreciation lifetime. The straight-line method of depreciation is used for all capitalized assets. Assets with indefinite useful lives (land) are not depreciated.

Code	Asset Category	Useful Life	Capitalization Threshold (KWD)	Tagging Required
Land and Buildings				

LN	**Land**	Indefinite (no depreciation)	Any value	No, recorded by Finance
BG	**Buildings and Permanent Structures**	20 years	Any value	No, recorded by Finance
IN	**Infrastructure (roads, networks, utilities)**	10 years	Any value	No, recorded by Finance
WP	**Construction Work in Progress**	N/A (reclassified on completion)	Any value	No
Equipment and Technology				
IT	**IT Equipment: Servers, network switches, shared infrastructure**	5 years	KWD 100	Yes
IT	**IT Equipment: Computers, laptops, tablets (individual)**	5 years	KWD 100	Yes
EE	**Electrical and Electronic Equipment**	5 years	KWD 100	Yes
LE	**Laboratory and Scientific Equipment**	5 years	KWD 100	Yes
OF	**Office Equipment (printers, projectors, AV equipment)**	5 years	KWD 100	Yes
AC	**Air Conditioning Equipment**	5 years	KWD 100	Yes

CR	**Chiller Units and Major HVAC Systems**	5 years	KWD 500	No, recorded by Facilities
Furniture, Fixtures, and Fittings				
FF	**Furniture and Fixtures**	3, 5 & 8 years	KWD 100	Yes
GI	**General Items**	3 & 5 years	KWD 100	Yes
Vehicles				
MV	**Motor Vehicles (cars, buses, utility vehicles)**	5 years	Any value	Yes
Library and Educational Resources				
LB	**Library Books, Journals, and Media Collections**	2 & 5 years	KWD 50 per item or KWD 200 per batch	No, recorded in Library System, reconciled with AMS annually
Low-Value Assets (recorded but not capitalized)				
LV	**Low-Value Assets: items below the capitalization threshold with useful life > 1 year**	Useful life	Below KWD 100 (equipment) / KWD 50 (library)	Yes, asset tag applied where practical

The capitalization thresholds stated above may be adjusted by the Director of Finance, with VP Administration endorsement, President approval and Board Finance Committee notification, where accounting standards, external auditor guidance, or the institutional asset scale require adjustment. Any adjustment takes effect from the beginning of the following fiscal year.

The capitalization versus expensing decision framework is summarized below for clarity:

Scenario	Treatment	Notes
Purchase price at or above capitalization threshold; useful life > 1 year	Capitalized added to Fixed Asset Register and AMS; depreciated over useful life	Asset tag applied; custodian assigned
Purchase price below capitalization threshold; useful life > 1 year	Recorded as Low-Value Asset in AMS; expensed in year of acquisition	Asset tag applied where practical
Purchase price at or above threshold; useful life ≤ 1 year (consumable)	Expensed in year of acquisition; not capitalized	Examples: printer cartridges, annual software licenses
Repair or maintenance of an existing asset	Expensed not capitalized unless the repair materially extends the asset's useful life	A repair that adds ≥ 25% to an asset's remaining useful life may be capitalized with Finance approval
Upgrade or enhancement of an existing asset	Capitalized if upgrade materially improves performance or extends useful life; otherwise expensed	Finance determines on a case-by-case basis; written justification required
Grouped purchase multiple identical items under KWD 100 each, total above KWD 500	Finance determines whether to treat as single capitalized	If treated as group asset, assigned single asset code and depreciated as a group

	asset or as Low-Value Assets	
Donated or gifted asset	Capitalized or Low-Value recorded at fair market value on date of receipt; treated as AIU property from date of receipt	Donor acknowledgement letter issued; Finance records fair value
Software perpetual license	Capitalized over useful life (typically 3–5 years as agreed with Finance)	Annual subscriptions are operating expenditure — not capitalized

Where the Asset Officer is uncertain whether an item should be capitalized, expensed, or treated as a low-value asset, the decision is escalated to the Director of Finance. The Director of Finance's written determination is recorded in the AMS and retained for audit purposes.

Article 3: Asset Identification and Tagging

Every asset that meets the tagging requirement specified in the asset category table must be physically tagged with an AIU asset tag bearing the unique Asset Code. Tagging occurs at the point of receipt and before the asset is deployed to a custodian or end-user location. The following requirements govern asset tagging:

a. The Asset Officer is responsible for generating and affixing asset tags. No asset is deployed to a custodian without a tag, except for categories listed in Article 2 as not requiring physical tagging (land, buildings, infrastructure, library resources).
b. Tags are affixed in a visible, accessible location that does not compromise the function, safety, or aesthetic of the asset. Where a standard tag cannot be affixed (for example, due to the asset's surface material or operating environment), the Asset Officer records the exception in the AMS with a description of the alternative identification method used.
c. Where an asset is impractical to tag physically including some small equipment, lenses, software licenses, and library books it is recorded in the AMS with complete details, and the AMS record serves as the identification instrument.

d. If a tag is lost or damaged during the asset's operational life, the custodian notifies the Asset Officer, who generates a replacement tag. The replacement is recorded in the AMS.
e. For computing devices (laptops, desktops, tablets), the asset tag is supplemented by the recording of the device serial number and MAC address in the AMS to enable identification independent of the physical tag.

Article 4: Asset Record Maintenance - the AMS

The AMS is the authoritative institutional record for all fixed assets and low-value assets. The Asset Officer maintains the AMS in real time. The following minimum data fields are required for every AMS record:

a. Asset code and asset category code
b. Full description including make, model, and brand where applicable
c. Location: building, floor, room number, and department or unit
d. Custodian details: full name, AIU ID, email address, and department
e. Acquisition date and capitalization date
f. Purchase price or fair market value (for donated assets)
g. Purchase order or LPO reference number (for purchased assets)
h. Funding source (operational budget, grant, donation)
i. Technical acceptance date and the name of the accepting officer
j. Depreciation rate and expected disposal date based on useful life
k. Current net book value (updated by Finance at each reporting date)
l. Asset status: Active / In Store / Under Repair / Disposed

The AMS is reconciled with the Finance Department's General Ledger at the end of each month. The reconciliation compares total capitalized asset value and accumulated depreciation between the AMS and the GL. The reconciliation report is prepared by the Asset Officer and reviewed and countersigned by the Director of Finance. Any unexplained difference of more than KWD 500 is investigated and resolved within 10 working days.

Article 5: Asset Acquisition and Receipt Process

Every asset acquired by AIU whether through procurement, donation, or grant must be formally received, technically accepted, and recorded in the AMS before being deployed to a custodian. The following requirements apply to all asset acquisitions:

a. Purchased assets: The Asset Officer is notified by the Finance Department or Procurement Officer of every purchase order for an item that meets the capitalization or low-value asset criteria in Article 2. The Asset Officer coordinates with the receiving department for technical acceptance within five working days of physical receipt. Technical acceptance is documented by the head of the receiving department or a designated qualified officer. The LPO is not closed for payment until technical acceptance is confirmed.

b. Assets received at a central store: The Asset Officer verifies the delivered items against the purchase order, signs the supplier delivery note, tags the assets, records them in the AMS, and coordinates delivery to the custodian.
c. Assets delivered directly to the end-user: The end-user signs the supplier delivery note and notifies the Asset Officer. The Asset Officer visits the end-user location within five working days to verify delivery, tag the asset, and confirm technical acceptance before updating the AMS.
d. Donated and gifted assets: All donated assets are reported to the Asset Officer and the Director of Finance immediately upon receipt. The Director of Finance determines the fair market value of the donated asset at the date of receipt. The asset is tagged and recorded in the AMS at fair market value and classified as institutional property from the date of receipt. A donor acknowledgement letter is issued through the Office of the President.
e. Grant-funded assets: Assets purchased through externally funded grants are treated as institutional assets and recorded in the AMS on the same basis as any purchased asset. The grant code is recorded as an additional data field in the AMS to allow grant compliance reporting.
f. Lab and scientific equipment: All laboratory equipment is received and technically accepted in coordination with the relevant Head of Department or laboratory supervisor before the Asset Officer records it in the AMS.

Article 6: Custodian Responsibilities

Every asset assigned to an individual custodian carries the following responsibilities, which form part of the custodian's professional obligations at AIU:

a. Use the assigned asset only for official AIU business and in accordance with the purpose for which it was acquired.
b. Maintain the asset in good working condition. Report any damage, malfunction, theft, or loss to the Asset Officer and the relevant Head of Department by the end of the working day on which the incident is discovered.
c. Do not transfer, lend, or relocate an asset to another person, department, or location without submitting a formal Transfer Request to the Asset Officer through the approved mechanism in Article 7.
d. Ensure the asset tag is intact and visible. Report any damaged or missing tag to the Asset Officer immediately.
e. Cooperate fully with the Asset Officer during physical verification exercises. Make the assigned asset available for inspection at the time and location notified by the Asset Officer.
f. On leaving AIU employment by resignation, retirement, contract conclusion, termination, or any other mechanism complete the Asset Clearance process in Article 9 before the final employment date.

Computing devices (laptops, computers, and tablets) assigned to individual custodians have the following specific provision: after four years of operational use, the custodian may retain the device as a personal gift from AIU, provided: the device is removed from the AIU domain by the IT Department; all AIU software licenses and institutional data are cleared before handover; the AMS is updated to reflect the disposal;

and the transaction is recorded as a disposal at nil net book value in the Finance General Ledger. Where a custodian leaves AIU before the four-year mark, the device must be returned to the Asset Officer unless the custodian settles the net book value with the Finance Department and obtains written clearance.

Article 7: Asset Transfer

No asset may be moved from its recorded location or transferred to a different custodian without a formal Transfer Request approved through the AMS. Informal transfers moving an asset without updating the AMS are a breach of this policy and create a physical-to-record discrepancy that may require an audit investigation.

1. Transfer to Another Custodian (within or between departments)

The releasing custodian submits a Transfer Request identifying the asset, the reason for the transfer, the receiving custodian's details, and the receiving custodian's head of department approval. The receiving custodian inspects the asset before accepting the transfer and confirms its condition in the AMS. The Asset Officer updates the custodian record in the AMS within two working days of the confirmed acceptance.

2. Transfer to a Different Location

The custodian notifies the Asset Officer of the intended relocation, confirming that the asset is operationally suitable for the new location and that any installation, utility, or commissioning requirements have been arranged. The Asset Officer updates the location field in the AMS before the physical move occurs.

3. Transfer to the Asset Store

Where a custodian no longer needs an asset but the asset is in working condition, it is transferred to the AIU Asset Store for future redeployment. The custodian submits a Transfer to Store request. The Asset Officer inspects the asset, confirms its working condition, and stores it with the reason for transfer recorded in the AMS. Surplus-to-requirements assets held in the store for more than 12 months without redeployment are added to the next disposal cycle.

Article 8: Physical Verification

Physical verification confirms that every asset in the AMS is physically present and in the condition and location recorded. The following verification schedule applies:

Asset Type	Verification Frequency	Conducted By	Notes
IT Equipment — individual (laptops, computers)	Annual - August	Asset Officer + IT Department	Cross-checked against IT asset register; AMS reconciled
IT Equipment — shared infrastructure	Annual - each August	Asset Officer + IT Department	Server room, network equipment, shared peripherals
Laboratory and Scientific Equipment	Annual - each August before semester start	Asset Officer + relevant Head of Department	Technical condition report issued by lab supervisor
Furniture and Fixtures	Every two years - odd years only	Asset Officer + Facilities Department	Spot-check in even years where prior verification raised issues
Motor Vehicles	Annual -January	Asset Officer + Facilities Department	Cross-checked against vehicle registration records
Library Resources (books, media)	Annual — sampling approach, minimum 20% per year	Asset Officer + Library Manager	Full physical count every five years
Low-Value Assets	Incorporated into relevant annual or biennial cycle for that asset type	Asset Officer + relevant Head of Department	Separate register; confirmed present or written off

All fixed assets full physical count	Every three years, or on the request of the Board Audit and Risk Committee or external auditor	Asset Officer + Finance Department + independent witness	Results submitted to Director of Finance within 30 days; Board Finance Committee notified of material variances

Physical verification is conducted by the Asset Officer, supported by the relevant department. An independent witness (a member of Finance Department staff not involved in AMS maintenance) must be present for the triennial full physical count. The physical count results are documented in a Physical Verification Report submitted to the Director of Finance within 30 days of the count's completion.

1. Variance Investigation

Any discrepancy identified during physical verification, an asset that cannot be located, an asset present but not recorded, or an asset in materially different condition than the AMS record, triggers an investigation by the Asset Officer within five working days. The investigation determines whether the discrepancy is due to an unrecorded transfer, a data entry error, theft, loss, or damage. The outcome is documented and, where appropriate, escalated through the provisions of Article 10 (Loss, Theft, and Damage).

2. Write-Off Following Verification

Where physical verification confirms that an asset is irretrievably lost, stolen without recovery, or beyond economic repair, the Director of Finance may approve a write-off of the asset's net book value. Write-offs are recorded in the AMS and the General Ledger. Write-offs above KWD 5,000 in aggregate per fiscal year require Board Finance Committee approval. All write-offs are disclosed in the notes to AIU's audited financial statements.

Article 9: Asset Disposal

Disposal is the permanent removal of an asset from AIU's Fixed Asset Register and physical possession. All disposals require the approval of the VP Administration, with Board Finance Committee approval for aggregate disposal values above KWD 5,000. No asset may be removed from AIU's premises for disposal purposes without documented approval and AMS update. The following disposal methods are authorized:

Disposal Method	Applicable Criteria	Process Summary
Intra-university redeployment	Asset is in working condition; a receiving department or unit has a documented need	Asset Transfer Form submitted to Asset Officer; AMS updated; no financial write-off
Donation educational or charitable	Asset no longer needed by AIU; recipient is a school, charitable, or educational institution; approved by VP Administration	Board Finance Committee approval for aggregate above KWD 5,000; donation acknowledgement letter; AMS record updated; Finance removes from GL
Competitive sale / auction	Asset has residual market value; competitive sale administered by Procurement per FIN-005 Article 11	Public or invited sealed-bid auction; reserve price set by Finance based on net book value or market appraisal; proceeds paid into AIU income account
Scrapping compulsory	Asset has no residual value; beyond economical repair; storage not possible	Technical Condition Report required; VP Administration approval; licensed waste/recycling contractor; data storage devices degaussed by IT before collection; AMS write-off
Disposal regulated materials	Asset contains radioactive, hazardous chemical, or biohazardous materials	Requires health, safety, and environment officer involvement; licensed specialist contractor; regulatory authority notification where required; documentation filed with Asset Officer

1. Disposal Initiation

A disposal request is initiated by the custodian or the relevant Head of Department, sent by written request to the Asset Officer, citing the disposal reason (obsolescence, beyond economical repair, surplus). The Asset Officer arranges a physical inspection and, where relevant, routes the asset to the appropriate technical department for a Technical Condition Report, IT Department for technology equipment; Facilities Department for furniture, fixtures, and AC equipment; the relevant Head of Department for laboratory equipment. The Technical Condition Report determines whether the asset is reusable, serviceable, or appropriate for disposal.

2. Data Security for Technology Disposals

All computing devices and data storage media, including hard drives, USB drives, SD cards, CDs, DVDs, and any device that may contain institutional data must be processed by the IT Department before disposal. The IT Department degausses or physically destroys all data storage media and provides written confirmation to the Asset Officer that the data sanitization is complete. No computing device or data storage medium is transferred to any external party before the IT Department's written confirmation is received. This requirement applies to all disposal methods, including donation and auction.

3. Financial Accounting for Disposals

At the point of disposal, the Finance Department removes the asset from the General Ledger, recording: the elimination of the original cost; the elimination of accumulated depreciation; any proceeds received (for auction sales); and the resulting gain or loss on disposal. The AMS record is updated to Disposed status with the disposal date, method, and financial outcome. All disposal documentation is retained by the Asset Officer for a minimum of 10 years from the disposal date.

Article 10: Loss, Theft, and Damage

Every custodian is personally responsible for the safekeeping of assets under their custody. The following provisions apply where an institutional asset is lost, stolen, or materially damaged:

a. Immediate notification: The custodian must report any loss, theft, or significant damage to the Asset Officer and the relevant Head of Department in writing on the day the incident is discovered. Where theft is suspected, the incident must also be reported to the AIU Security Officer for a security report.
b. Investigation: The Asset Officer, in coordination with the Head of Department and the Security Officer where relevant, investigates the circumstances of the loss, theft, or damage. The investigation is documented in writing within five working days of the initial report.
c. Financial recovery: Where a loss or damage is attributable to negligence, willful misuse, or failure to follow this policy by the custodian, the custodian may be required to reimburse AIU for all or part of the asset's net book value. The Director of Finance, in consultation with HR, determines the appropriate recovery amount and process.
d. External theft: Where an asset is confirmed stolen, the VP Administration and Director of Finance determine whether the value is recoverable through AIU's institutional insurance policy. A claim is submitted as appropriate. The write-off procedures in Article 8.2 apply to any amount not recovered through insurance.

e. Approval for write-off: All asset write-offs arising from loss, theft, or damage require written approval from the VP Administration (for values up to KWD 5,000) or the Board Finance Committee (above KWD 5,000). Approval documentation is retained in the asset's AMS record.

Article 11: Employee Asset Clearance

Every AIU employee, faculty and staff, must complete the Asset Clearance process before their final employment date. Asset Clearance is a mandatory condition of employment separation at AIU and is coordinated through HR. The following requirements apply:

a. On notification of an employee's departure, by resignation, retirement, contract conclusion, termination, or any other mechanism, HR issues an Asset Clearance Request to the Asset Officer, identifying the departing employee.
b. The Asset Officer generates a complete list of all assets recorded under the departing employee's custodianship in the AMS.
c. The departing employee must transfer all assigned assets to a nominated replacement custodian within the department, or return them to the Asset Store, before the final employment date. Transfers are processed through the standard Transfer Request in Article 7.
d. Where a computing device has been in use for four years or more, the employee may retain it under the provisions of Article 6. The IT Department processes the device before handover. The AMS is updated by the Asset Officer.
e. The Asset Officer provides written clearance to HR once all assets are accounted for either transferred to another custodian, returned to the store, or retained under the four-year computing device provision.
f. Where assets are found to be lost, damaged, or unaccounted for at the point of clearance, the procedures in Article 10 apply before clearance is granted. No final salary settlement, end-of-service gratuity, or departure documentation is released by HR until Asset Clearance is confirmed in writing by the Asset Officer.
g. In the event of an employee's death, the Head of Department coordinates the transfer of all assets to the department and notifies the Asset Officer. Clearance is issued on the same basis as a standard departure, without the recovery provisions applying.
h. In the event of an employee absconding, leaving without notice, the Head of Department and HR notify the Asset Officer immediately. The Asset Officer and the relevant Head of Department conduct a joint inventory of all assets under the absconding employee's custodianship. Any missing or unaccounted-for assets are escalated to the Director of Finance and the VP Administration for a recovery or write-off determination.

Article 12: Asset Management for Grants and Donated Assets

Assets acquired through externally funded grants carry specific reporting and ownership obligations that must be observed throughout the asset's life at AIU. The following provisions apply:

a. Grant-funded assets are recorded in the AMS with the grant code, the grant funding body's name, and any ownership or reporting conditions specified in the grant agreement.

b. Where a grant agreement specifies that assets acquired through the grant must be returned to the funder at the end of the project, or may not be disposed of without the funder's consent, these conditions are noted in the AMS and flagged to the Director of Finance at the point of capitalization.
c. Disposal of a grant-funded asset during the grant period or before the expiry of any funder-specified retention period requires written consent from the grant funder before the disposal process under Article 9 is initiated.
d. Assets donated to AIU by external parties; companies, foundations, government bodies, or individuals, become the sole property of AIU from the date of receipt, subject to any conditions specified in the donation agreement. Conditions are recorded in the AMS alongside the asset record. A donation agreement that specifies restrictions on use or disposal is reviewed by the VP Administration before acceptance.

Article 13: Reporting and Board Oversight

The Director of Finance provides the following asset management reports as part of AIU's financial governance framework:

a. Monthly AMS-to-GL reconciliation report: reviewed by the Director of Finance; discrepancies escalated to the VP Administration.
b. Annual Fixed Asset Summary Report: prepared by 31 August each year, covering total asset value by category, depreciation charges for the year, net book values, disposals during the year, and the results of the most recent physical verification cycle. Presented to the Board Finance Committee at the December meeting.
c. Triennial Physical Count Report: submitted to the Board Finance Committee following each full institutional physical count, with a summary of variances found and resolved.
d. Material Write-Off Report: submitted to the Board Finance Committee at the next regular meeting following any individual or aggregate write-off approval above KWD 5,000.

The external auditor has access to the AMS and all supporting asset documentation as part of the annual financial audit. The Asset Officer cooperates fully with the external audit process, providing any requested asset schedules, supporting documents, and reconciliations within five working days of any auditor request.

Procedures

The following procedures govern the administration of this policy.

New Asset Receipt, Tagging, and AMS Recording

1. The Procurement Officer notifies the Asset Officer of every purchase order for an item meeting the capitalization or low-value asset criteria at the point the PO is raised, attaching the specification and expected delivery date.

2. On delivery, whether to a central store or directly to the end-user location, the Asset Officer (or the end-user in the case of direct delivery) verifies the delivered items against the purchase order, confirms quantities and condition, and signs the supplier delivery note.
3. The relevant Head of Department or designated officer provides written Technical Acceptance confirmation within five working days of physical receipt, confirming the item is in working order, complete, and meeting specifications.
4. The Asset Officer generates the asset tag, affixes it to the asset, and enters the full AMS record within three working days of receiving Technical Acceptance. The LPO is not submitted to Finance for payment until the AMS record is confirmed.
5. The Finance Department is notified of the capitalization date and the asset details for General Ledger posting within the same monthly accounting period as receipt.

Transfer Request Process

1. The releasing custodian submits an Asset Transfer Request through the AMS (or, until AMS is fully operational, by a written form to the Asset Officer) specifying: the Asset Code; the reason for transfer; the receiving custodian's name and department; and the head of department approval for both the releasing and receiving departments.
2. The Asset Officer verifies the transfer request against the AMS record and confirms the asset is in the releasing custodian's name.
3. The receiving custodian physically inspects the asset, confirms its condition, and formally accepts it. Acceptance is recorded by the Asset Officer in the AMS, changing the custodian field to the receiver's details.
4. The Asset Officer closes the transfer request and notifies both parties by email that the AMS has been updated.

Disposal Request and Approval

1. The custodian or Head of Department submits a Disposal Request to the Asset Officer, specifying the Asset Code, disposal reason (obsolescence, beyond economic repair, surplus, other), and any prior repair history.
2. The Asset Officer routes the request to the relevant technical department for a Technical Condition Report within five working days. The technical department provides its recommendation (reuse, repair, or dispose) in writing within five working days.
3. For assets recommended for disposal: the Asset Officer prepares a Disposal Approval Form for VP Administration signature. Where the aggregate disposal value exceeds KWD 5,000, the Asset Officer prepares a Board Finance Committee submission.
4. On approval, the Asset Officer coordinates the disposal method per Article 9. For auction/sale, the Procurement Officer administers the process per FIN-005 Article 11. For data-bearing technology, the IT Department provides written degauss/destruction confirmation before the asset leaves AIU's premises.

5. The Asset Officer updates the AMS to Disposed status on the day of physical removal. Finance receives the Disposal Approval Form and AMS confirmation to process the GL write-off in the same accounting period.

Physical Verification Cycle

1. At the beginning of each academic year, the Asset Officer prepares a Physical Verification Schedule for the year, identifying the asset categories due for verification and the nominated verification period (month). The schedule is shared with all Heads of Department and the Director of Finance by 1 September.
2. During the scheduled verification period, the Asset Officer, accompanied by the relevant Head of Department and (for the triennial full count) an independent Finance Department witness, physically locates and verifies each asset against the AMS record.
3. Each verified asset is confirmed as: Present and in recorded location (no action); Present but relocated (location updated in AMS); Present but condition different from record (condition updated; repair or write-off initiated if warranted); Not located (investigation initiated per Article 10).
4. The Physical Verification Report, signed by all parties present, is submitted to the Director of Finance within 30 days of the verification date. The Director of Finance reviews the report, approves AMS updates, and initiates any required write-off or recovery process.

Employee Asset Clearance

1. On receiving an employee departure notification from HR, the Asset Officer generates the employee's full asset list from the AMS within two working days and provides it to the employee and the relevant Head of Department.
2. The employee coordinates all transfers through the Asset Transfer Request process (Procedure 2) within the timeframe set by HR for the clearance process. The Asset Officer confirms each transfer in the AMS.
3. For computing devices meeting the four-year retention provision: the Asset Officer confirms the device age from the AMS, the IT Department sanitizes the device, and the Asset Officer updates the AMS to Disposed, Retained by Employee with the disposal date and employee name recorded.
4. Once all assets are accounted for, the Asset Officer issues the Asset Clearance Certificate to HR in writing. Where assets remain unresolved, the Asset Officer notifies the Director of Finance and HR to initiate recovery proceedings before clearance is issued.

President Signature	Signature: ________________________ Date: __________

AIU AMERICAN INTERNATIONAL UNIVERSITY الجامعة الأمريكية الدولية	Policy Main Title	Cash Handling and Internal Controls Policy	Effective Date	14/06/2026
	Category	Finance	Last Review date	
	Policy Number	FIN-009	Next Review date	14/06/2029
	Responsible Entity	Director of Finance	Approved By	Board of Trustees

Overview

Cash is the most liquid and most vulnerable of all institutional assets. It is the asset most easily misappropriated, most difficult to trace when mishandled, and most directly indicative, when poorly controlled, of a failure of institutional integrity. Accrediting agency requires institutions to demonstrate honest and ethical operations and sound business practices. Nowhere are those requirements more directly tested than in the daily handling of currency, cheques, electronic payments, and petty cash funds.

This policy establishes AIU's comprehensive framework for cash handling and the broader system of internal controls that protects institutional financial assets. It draws on the practices of accredited institutions which have mature, audited cash control frameworks grounded in the same fundamental principles of segregation of duties, immediate recording, physical security, and management review.

This policy is designed to be practical. AIU is a growing institution with a modest administrative staff, and the policy acknowledges that perfect segregation of duties is not always feasible in a small department. Where full segregation is not possible, the policy defines compensating controls, primarily management review, that provide an acceptable level of assurance. What this policy does not do is treat compensating controls as a permanent substitute for proper segregation. As AIU grows, the internal control environment must be strengthened.

Scope

This policy applies to all forms of cash and cash equivalents received, held, transferred, or disbursed by or on behalf of AIU. Cash and cash equivalents include: currency and coin in any denomination; cheques, bank drafts, money orders, and cashier's cheques; electronic payment receipts including credit card, debit card, and online payment gateway settlements; petty cash funds; change funds; and any other negotiable instrument or payment received in the course of AIU's operations.

This policy applies to every AIU unit that collects, handles, stores, records, reconciles, or deposits any form of cash, including the Finance Department, the Student Accounts Office, the Admissions Office, the Library, the Campus Store, the Athletics Centre, and any unit collecting fees, deposits, or payments for institutional events or services. It applies to all employees designated as cash handlers, custodians, or supervisors in connection with cash-related activities.

Purpose

The purposes of this policy are to:

- Establish the segregation of duties framework that ensures no individual can both perpetrate and conceal errors or misappropriation in cash handling
- Define the immediate recording, physical security, and deposit requirements that minimize the risk of cash loss, theft, or undetected error
- Establish the petty cash fund framework, including authorization, custody, permitted uses, prohibited uses, replenishment, and surprise count requirements
- Define the reconciliation requirements at daily, monthly, and annual levels that connect physical cash handling to the accounting record

- Establish the bank account management and authorization framework that prevents the proliferation of unauthorized accounts
- Define the discrepancy investigation and escalation process for cash variances
- Establish the broader internal controls framework, preventive, detective, and compensating controls, that supports AIU's overall financial integrity
- Ensure compliance with sound and ethical business practices and financial sustainability supported by reliable internal controls

Definitions and Abbreviations

Cash: Currency, coin, cheques, money orders, bank drafts, and any other negotiable instrument received in connection with AIU business.

Cash Equivalent: An electronic payment settlement, including credit card receipts, debit card receipts, online payment gateway settlements, and bank transfer confirmations, that represents value received by AIU that must be recorded and reconciled on the same basis as physical cash.

Cash Handler: Any AIU employee who receives, counts, records, transports, or deposits cash or cash equivalents in the course of their duties.

Cash Custodian: The employee designated as personally responsible for a specific cash fund such as a petty cash fund or a change fund and accountable for its balance, use, and safekeeping.

Petty Cash Fund: A small fixed-amount cash fund established for the purpose of reimbursing or paying minor, authorized expenditures that are too small to process through the standard purchase order system.

Change Fund: A small fixed-amount cash fund established for the purpose of making change in a retail or point-of-sale transaction. Change funds are not used for any purpose other than making change.

Segregation of Duties: The organizational practice of assigning the receiving, recording, depositing, and reconciling functions for cash transactions to different individuals, so that no single person can both commit and conceal an error or misappropriation.

Compensation Control: An alternative internal control applied where full segregation of duties is not feasible, typically management review and approval of reconciliations by a supervisor not directly involved in the cash handling activities being reviewed.

Imprest System: The cash management method under which a petty cash fund is maintained at a fixed balance; the fund is replenished periodically by an amount exactly equal to the total of documented expenditures, restoring the balance to its original level.

Reconciliation: The process of comparing cash balances, receipts, and transaction records across different recording systems, cashier records, accounting system entries, bank statements, and the general ledger to confirm that all are consistent and that all cash is fully accounted for.

Cash Discrepancy: Any difference between the physical cash count and the recorded amount that cannot be immediately explained by a timing difference or clearly identified accounting entry.

Pre-numbered Receipt: A sequentially numbered official receipt, issued by the Finance Department, used to acknowledge the receipt of cash from a payer. Pre-numbered receipts provide an audit trail that allows any unissued or missing receipt to be identified.

Policy

Article 1: Governing Principles of Cash Control

All cash handling at AIU is governed by the following principles. These are not guidelines; they are mandatory requirements. Compliance with these principles is required of every cash handler, custodian, and supervisor, regardless of the amount of cash involved.

a. Segregation of duties: No single individual may receive cash, record the receipt, deposit the funds, and reconcile the records. The four functions, receiving, depositing, recording, and reconciling must be performed by different individuals wherever the staffing level of a unit makes this possible. Where a unit has insufficient staff to achieve full segregation, management review by a supervisor not involved in the direct cash handling functions is the required compensating control.
b. Immediate recording: Every cash receipt must be recorded in the accounting system or on a pre-numbered receipt immediately upon receipt, not at the end of the day, not after counting, not at the next convenient moment. Deferred recording creates a window during which unrecorded cash can be diverted without detection.
c. Physical security: Cash must be physically secured at all times, in a locked safe, a locked cash drawer, or a tamper-evident deposit bag when in transit. Cash is never left unattended in an unlocked or unsecured location. Access to secured cash storage is restricted to the designated cash handler or custodian.
d. Same-day deposit: All cash received during the business day must be deposited in AIU's designated bank account or secured in the Finance Department safe by the end of that business day. No cash is held overnight in a departmental office or unsecured location.
e. Prohibition on using receipts for disbursements: Cash receipts may never be used to pay invoices, make change for non-commercial purposes, provide salary advances, make personal loans to staff or students, or replenish petty cash. Cash received is deposited intact.
f. Documentation: Every cash transaction, receipt, count, transfer, deposit, and reconciliation, is documented on standardized forms and retained for audit. Documentation accompanies cash at every stage of the handling process.
g. Management review: Supervisors review cash reconciliations and have access to periodic surprise cash counts as a monitoring control, regardless of whether full segregation of duties is in place. Management review is not optional, it is a primary internal control.

Article 2: Segregation of Duties

The segregation of duties requirement is the cornerstone of cash control. The following matrix defines who may and may not perform each cash handling function. A ✓ indicates the function belongs to that role. A ✗ indicates the function must not be performed by that role if a different person is available. Where a department has only one or two staff members, a compensating control matrix, documented by the department and approved by the Director of Finance, specifies what management review replaces each missing segregation point.

Cash Handling Function	Receiver / Cashier	Depositor	Recorder	Reconciler	Manager / Supervisor
Receive cash / cheques from payers	✓	✗	✗	✗	✗
Issue official receipt to payer	✓	✗	✗	✗	✗
Count and verify cash against receipts	✓	✓	✗	✗	✗
Prepare deposit documentation	✗	✓	✗	✗	✗
Transport cash to bank or Finance safe	✗	✓	✗	✗	✗
Record receipts in accounting system	✗	✗	✓	✗	✗
Reconcile receipts to general ledger	✗	✗	✗	✓	✗
Investigate and resolve variances	✗	✗	✗	✓	✓
Approve write-off of cash discrepancies	✗	✗	✗	✗	✓
Perform surprise cash counts	✗	✗	✗	✗	✓

The Director of Finance maintains a register of all departments at AIU that handle cash, their staffing levels, the segregation framework in place, and any approved compensating controls. This register is reviewed at least annually and is made available to the external auditor upon request. Any unit requesting an exception from full segregation must submit a written request to the Director of Finance describing: the staffing constraint; the specific compensating control proposed; and the name of the supervisor who will perform management review. The Director of Finance's written approval of the exception is required before reduced segregation is applied.

Article 3: Cash Receipts — Receiving and Recording

1. Official Receipts

All cash received by AIU, regardless of the amount or the collecting unit, must be acknowledged by the issuance of an official pre-numbered receipt to the payer at the point of collection. Pre-numbered receipt books are issued to authorized cash handlers by the Director of Finance and are controlled inventories. The following requirements apply:

a. A receipt is issued for every cash transaction without exception, including transactions below KWD 5. The only exemption is a cashier system (cash register or electronic point-of-sale system) that generates machine-numbered receipts automatically.
b. Receipts must record: the date; the payer's name; the amount received; the form of payment (cash, cheque, card); the purpose of the payment; and the signature or initials of the receiving cash handler.
c. Void receipts must be marked VOID, retained in the receipt book, and not destroyed. The void and its reason are documented in the cash handler's daily record.
d. The issuing of a receipt that does not correspond to an actual payment received, a false receipt, is fraud. Any suspected false receipt must be reported to the Director of Finance immediately.
e. Unused receipt books are stored in a locked location accessible only to the Director of Finance or designated Finance Department staff. Receipt book serial numbers are tracked, and any gap in sequencing is investigated.

2. Counting and Verification

All cash received must be counted and verified in the presence of the payer, or within the transaction session for online or card payments. The following requirements apply:

a. Currency is counted twice by the receiving cash handler and agreed to the receipt amount before the payer leaves.
b. For cheque receipts: the cash handler verifies that the cheque is made payable to American International University; is dated on or within the current period; bears a matching payee name and amount in words and figures; and is signed by the drawer. A cheque with any discrepancy is not accepted until corrected by the drawer.

c. For electronic payments: the settlement confirmation generated by the payment gateway is the receipt equivalent. The cash handler records the transaction reference number, amount, date, and payer details immediately upon confirmation.
d. For cash receipts above KWD 500: a second person must be present for the count. Both persons sign the count record. This dual-custody requirement may be met by a Finance Department staff member who was not involved in the originating transaction.

3. Deposit Preparation

Cash preparation for deposit is performed by a person different from the one who received the cash, wherever staffing permits. The following preparation requirements apply:

a. The deposit is assembled and a deposit slip prepared listing each transaction individually. The total on the deposit slip is verified against the total of the issued receipts or electronic records for the period.
b. Cheques are restrictively endorsed For Deposit Only — American International University on the reverse immediately upon receipt. Endorsed cheques may not be returned to the payer or used for any other purpose.
c. A pre-deposit count of currency is performed by the depositor and documented. The count must match the receipt total.
d. Cash and cheques are placed in a sealed, tamper-evident deposit bag or locked cash box for transport to the bank or the Finance Department safe.

4. Cash Transport

Physical transport of cash from any AIU unit to the Finance safe or the bank is subject to the following security requirements:

a. Cash above KWD 10,000 must be transported by two individuals. Neither individual may transport cash alone where the amount exceeds KWD 10,000. Every person handling cash should have fidelity insurance.
b. Cash is transported in a tamper-evident bag or locked cash box. It is not visible or accessible to others during transport. It is not transported in a branded or institutional envelope that signals its contents.
c. Transport routes are not disclosed in advance and should vary. Cash is not left in an unattended vehicle.
d. Any physical loss of cash during transport is reported to the Director of Finance immediately upon discovery.

Article 4: Cash Deposits - Timing and Banking Requirements

a. All cash collected during the business day is deposited in AIU's designated bank account or secured in the Finance Department safe by the end of that week.

b. Where the daily collection is KWD 100 or below, it may be held securely in the Finance safe overnight and deposited in the same week, provided it is properly sealed, documented, and logged in the cash register.
c. The Finance Department maintains a cash register documenting: the amount held; the collecting unit; the transaction date; the name of the person who sealed and stored the cash; and the person who deposited it the same week.
d. Deposits are made to the AIU designated bank account only. No cash may be deposited into any other bank account, personal account, or third-party account.
e. A deposit receipt from the bank must be obtained for every deposit. The deposit receipt is retained by the Finance Department and matched to the deposit slip for reconciliation. The original deposit receipt and the department's copy of the deposit slip must be reconcilable to the same total.
f. Any bank-returned cheque (dishonored cheque) is immediately reported to the Student Accounts Office where it relates to tuition payment, or to the Director of Finance for all other purposes. The returned cheque fee in FIN-003 is applied to student account dishonored payments. For non-student payments, the Director of Finance determines the collection approach.

Article 5: Petty Cash Fund Management

Petty cash funds are established to facilitate minor, legitimate institutional expenditures that cannot practically be processed through the standard purchase order system. They are not a convenience mechanism to bypass procurement controls, and they are not a discretionary pool of funds. The following framework governs all petty cash funds at AIU:

Fund Parameter	Limit / Standard	Conditions and Notes
Maximum fund balance per petty cash fund	KWD 200	Higher limits require Director of Finance written approval; reviewed annually
Maximum single petty cash transaction	KWD 100	Transactions above KWD 100 must go through the standard purchase order process
Receipt requirement	Required for every transaction	Original receipts only; handwritten notes do not constitute receipts

Number of custodians per fund	One primary + one designated backup	Backup custodian is active only when primary is on leave or unavailable for > 3 consecutive working days
Fund commingling	Prohibited	Petty cash funds must not be commingled with personal funds, change funds, or any other cash
Use for salary payments, loans, or advances	Prohibited at all times	Any salary-related payment requires standard payroll process
Use for alcohol, tobacco, or personal items	Prohibited at all times	No reimbursement under any circumstances
Replenishment trigger	When fund falls below 25% of maximum balance, or at month end	Replenishment requires reconciled expenditure documentation and custodian's declaration
Surprise count frequency	Minimum twice per year per fund; additional counts at Director of Finance's discretion	Conducted by Finance Department staff not directly connected to the fund
Maximum time before replenishment request	30 days	Receipts older than 30 days without a replenishment request are reviewed by the Director of Finance

1. Establishment of a Petty Cash Fund

A petty cash fund is established only with written approval from the Director of Finance. The establishment request must specify: the unit requesting the fund; the intended purpose and types of expenditure; the requested fund amount; the nominated custodian (primary and backup); and the physical storage location. The Director of Finance issues the initial fund balance by cheque payable to the nominated custodian. No petty cash fund exists without a formal establishment approval on file.

2. Custodian Responsibilities

The custodian is personally responsible for the petty cash fund and is accountable for its balance at all times. Custodian responsibilities include:

a. Maintaining the physical security of the fund in a lockable cash box or safe to which only the custodian and designated backup have access
b. Reviewing and approving requests for petty cash reimbursement, verifying that receipts are original, for legitimate institutional purposes, and within the per-transaction limit
c. Maintaining a petty cash log recording every transaction: date; payee or purpose; amount; receipt reference; approved by
d. Ensuring the fund balance (physical cash plus outstanding vouchers) equals the authorized fund amount at all times
e. Submitting timely replenishment requests with all supporting receipts, never waiting until the fund is exhausted
f. Cooperating fully with surprise cash counts conducted by the Finance Department
g. Immediately notifying the Director of Finance of any loss, theft, or unexplained shortage from the fund

3. Replenishment Process

A petty cash fund is replenished through the standard payment system — not by using cash receipts, other institutional cash, or any source other than a Finance Department cheque or bank transfer. Replenishment requires:

a. A completed Petty Cash Replenishment Form signed by the custodian and endorsed by the relevant supervisor
b. Original receipts for all expenditures since the last replenishment, attached and totaled to equal the replenishment amount
c. A current cash count confirming that physical cash plus total receipts equals the authorized fund balance
d. Finance Department review of the replenishment package before processing. The Finance Department confirms that all receipts are original, appropriate, within the per-transaction limit, and for permitted purposes

4. Closure of a Petty Cash Fund

A petty cash fund is closed when the unit no longer needs it, when the custodian leaves AIU, or when the Director of Finance determines the fund is not being managed in accordance with this policy. On closure, the custodian submits all remaining cash and a final reconciliation to the Director of Finance. The remaining balance is deposited into the AIU designated bank account. The fund's formal closure is recorded and the established fund register is updated.

Article 6: Change Funds

A change fund is a small fixed-amount cash fund used solely for making change in commercial transactions, for example, at the Campus Store or an AIU event with paid admission. Change funds are subject to the following requirements:

a. Change funds are established by written Director of Finance approval, on the same basis as petty cash funds. A separate fund authorization is required for each location.
b. The authorized change fund amount is set at the minimum necessary to support the anticipated transaction volume. Amounts above KWD 100 require Director of Finance approval.
c. Change funds are reconciled at the end of each day's operations by counting the physical cash, comparing it to the authorized fund balance, and documenting any variance. Variances are reported to the Director of Finance as per the discrepancy framework in Article 10.
d. At the end of each session, revenue collected is separated from the change fund, prepared for deposit, and deposited in accordance with Article 4. The change fund is returned to its secured storage and the daily cash register is balanced before the cash handler leaves.
e. Change funds may not be commingled with petty cash or with cash receipts. They may not be used to make petty cash purchases.

Article 7: Reconciliation Requirements

Reconciliation, the process of comparing physical cash and transaction records to the accounting system and the bank statements, is the primary detective control that identifies errors and irregularities before they become material. The following reconciliation requirements apply at AIU:

1. Daily Reconciliation

At the close of each business day, every cash handling unit must:

a. Count physical cash on hand and compare the count to the total of receipts issued and electronic transactions recorded during the day
b. Prepare a daily cash summary recording total receipts by transaction type (cash, cheque, card), total deposited or secured, and the balance carried forward (for change funds or petty cash only)
c. Document any over/short amount on the cash discrepancy log, regardless of amount
d. Have the daily cash summary reviewed and signed by a supervisor not directly involved in the day's cash handling activities

2. Monthly Reconciliation

The Finance Department performs a monthly reconciliation for every active cash collection point and bank account, within 10 working days of the month end. The monthly reconciliation:

a. Compares the total of deposits recorded in the accounting system to the bank statement for the period
b. Identifies and investigates any timing differences, outstanding deposits, or unmatched transactions

c. Confirms that all receipts issued during the month have corresponding deposits in the bank statement
d. Is reviewed and countersigned by the Director of Finance
e. Is retained as an official financial record for a minimum of seven years

3. Annual Reconciliation

At the close of each fiscal year, the Finance Department performs a comprehensive year-end cash reconciliation that confirms: the total cash and cash equivalents balance on the balance sheet reconciles to the bank statement closing balance (adjusted for outstanding items); all petty cash fund balances are confirmed by physical count; and there are no unresolved cash discrepancies from the prior 12 months. The year-end reconciliation is presented to the external auditor as part of the annual audit package.

Article 8: Bank Account Management

Centralized bank account management is essential to maintaining visibility over all AIU funds. The following requirements govern AIU bank accounts:

a. The opening of any bank account in AIU's name requires prior written approval from the Director of Finance and the President, documented in Finance Department records. No individual school, college, department, club, association, or activity may open or maintain a bank account in AIU's name or in a name associated with AIU without this approval.
b. A complete register of all authorized AIU bank accounts is maintained by the Director of Finance, including: the bank name; account number; the purpose of the account; and the authorized signatories.
c. Bank account signatories are designated by Board of Trustees. No person holds sole signatory authority over any AIU bank. Dual signatures are required for all transactions unless the transaction is processed through the automated payroll with adequate controls.
d. Bank accounts that are no longer required are closed promptly. All balances are transferred to the primary AIU operating account before closure. Account closure is approved by the Director of Finance and documented.
e. The Director of Finance receives all bank statements directly from the bank statements are not routed through any person who is also an authorized signatory or who performs cash handling functions. Online banking access credentials are controlled by the Finance Department and changed whenever a person with access leaves AIU or changes roles.
f. Electronic fund transfers require dual authorization through the banking system. This dual control applies regardless of the payee or the purpose.

Article 9: Credit Card and Electronic Payment Controls

Electronic payments are increasingly the primary payment method for tuition, fees, and institutional services at AIU. The following controls apply to all electronic payment processing:

a. Credit card and debit card processing equipment and online payment gateway accounts are established exclusively by the Finance Department. No unit operates a card processing terminal or online payment page without Finance Department approval and oversight.
b. Card processing equipment and online gateway accounts are reconciled daily against the payment gateway settlement report. Settlement reports are received directly by the Finance Department, not by the unit collecting the payment.
c. Cardholder data — including card numbers, security codes, and personal payment information — must never be written down, stored in unencrypted form, emailed, or transmitted through any non-secured channel. AIU's payment card processing must comply with Payment Card Industry Data Security Standard (PCI DSS) requirements as specified by the relevant card networks. The IT Department coordinates PCI DSS compliance annually.
d. Refunds on card payments are processed only through the Finance Department through the same payment gateway and to the original card. No cash refund is issued in exchange for a card payment.
e. Any suspected unauthorized card transaction or system breach is reported to the Finance Department and IT Department immediately. The Finance Department notifies the bank and, where required, the relevant card network within 24 hours.

Article 10: Cash Discrepancies - Investigation and Escalation

Cash discrepancies, any difference between the physical cash count and the recorded amount, must be investigated promptly. Discrepancies that are not investigated and resolved create cumulative audit risk and may indicate systematic misappropriation. The following framework governs discrepancy response:

Discrepancy Range	Investigation Timeframe	Required Action
Less than KWD 5 (over or short)	Documented on same day	Record the over/short in the cash discrepancy log; no escalation required; supervisor reviews log monthly
KWD 5 to KWD 50 (over or short)	Investigation within 2 working days	Supervisor reviews all receipts and deposits for the period; written explanation submitted to Director of Finance; discrepancy log updated
Above KWD 50 (over or short)	Investigation within 1 working day	Director of Finance notified immediately; formal investigation by Director of Finance and relevant supervisor; the President notified if investigation extends beyond 5 working days without resolution

Any amount where fraud or theft is suspected	Immediate — same day	The President notified immediately; AIU Security Officer involved; external authorities notified where required; Director of Finance holds all evidence pending investigation

All discrepancies, regardless of amount, are recorded in the departmental cash discrepancy log on the day they are identified. The log is reviewed by the relevant supervisor monthly and by the Director of Finance quarterly. A pattern of small, frequent discrepancies, even where each individual variance falls below the escalation threshold, is treated as a systemic control failure and triggers a comprehensive review of the unit's cash handling processes.

Article 11: Internal Controls Framework

Cash handling controls are a specific instance of AIU's broader internal controls framework. The following table summarizes the key internal controls operating across AIU's financial processes, their type, the risk they mitigate, and the consequence of their absence. This table is used by the Finance Department for its annual internal control assessment and by the Board Audit and Risk Committee for oversight purposes.

Internal Control	**Control Type**	**Risk Mitigated**	**Effect if Absent**
Segregation of duties receiving, depositing, recording, reconciling	Preventive	Misappropriation; undetected error	Single individual can perpetrate and conceal fraud
Immediate issuance of pre-numbered receipts for all cash received	Preventive	Unrecorded receipts; skimming	Cash can be received and not recorded
Dual custody for cash above KWD 5,000 two people present for counting and transport	Preventive	Theft in transit; disputed amounts	Sole custody creates opportunity and no witness

Same-day deposit or secured storage no overnight cash holding	Preventive	Physical theft; fire; loss	Extended holding period increases risk and audit exposure
Daily reconciliation of receipts to accounting system	Detective	Recording errors; unmatched transactions	Errors compound; variances become harder to trace
Monthly reconciliation of bank statements to general ledger	Detective	Unauthorized transactions; bank errors	Unauthorized transactions go undetected
Surprise petty cash counts - minimum twice annually	Detective	Petty cash misuse; custodian negligence	Regular counts create deterrent; absence encourages misuse
Management review of reconciliations by supervisor not involved in receipts	Compensating	Incomplete segregation of duties; management override	No independent check on the accuracy of reconciliations
Prohibition on using cash receipts for disbursements or advances	Preventive	Unrecorded disbursements; fund mixing	Cash pool becomes untraceable
Written procedures provided to all cash handlers	Preventive	Errors due to lack of training; inconsistent practice	Inconsistent practice undermines control effectiveness
Mandatory training for all persons with cash	Preventive	Errors; policy non-compliance	Training deficiency is a common audit finding

handling responsibilities			
Restricted access to cash only designated custodians	Preventive	Unauthorized access; theft	Uncontrolled access removes accountability
Electronic recording with audit trail in accounting system	Detective	Undetected alterations; missing entries	Manual records are easier to alter without detection
Bank account opening requires Director of Finance and President approval	Preventive	Unauthorized accounts; fund diversion	Proliferation of accounts undermines Treasury visibility

The Director of Finance conducts an annual internal controls self-assessment covering all areas identified in this table. The assessment documents: controls in place and operating effectively; controls in place but with identified weaknesses; controls not yet in place; and the remediation plan and timeline for each weakness or gap. The annual self-assessment report is presented to the Board Audit and Risk Committee by 31 August each year and made available to the external auditor.

Article 12: Training and Communication

Effective internal controls depend on trained, informed staff. The following training requirements apply to all AIU employees with cash handling or financial oversight responsibilities:

a. Every newly appointed employee with cash handling responsibilities, including cash handlers, custodians, and supervisors with reconciliation duties, must complete the AIU Cash Handling Training Program before handling any cash. The Training Program is developed and maintained by the Finance Department and covers: the requirements of this policy; receipt issuance; counting procedures; deposit preparation; segregation of duties and compensating controls; and discrepancy reporting.
b. All cash handling staff must complete a refresher training session at least once every two years. Refresher training is coordinated by the Finance Department and documented. A staff member whose training lapses may not continue in a cash handling role until refresher training is completed.

c. The Finance Department publishes a Cash Handling Quick Reference Guide on the AIU Finance intranet page, updated whenever this policy is revised. The Quick Reference Guide summarizes the key requirements of this policy in a format accessible to non-Finance staff.
d. Supervisors of cash handling units receive additional training on management review responsibilities, the discrepancy escalation framework, and the internal controls self-assessment process. This training is provided by the Director of Finance annually.

Article 13: Violations and Consequences

Violations of this policy, including failure to segregate duties without an approved compensating control, failure to issue receipts, misuse of petty cash, failure to deposit cash within the required timeframe, and any act of misappropriation, are treated as matters of institutional financial integrity. Consequences include:

a. For unintentional violations arising from inadequate training or procedural error: mandatory completion of remedial training; enhanced supervision for a defined period; formal written guidance
b. For deliberate violations or repeated disregard of policy requirements: formal disciplinary action up to and including termination
c. For misappropriation or fraud: immediate suspension pending investigation; termination; referral to appropriate civil or criminal authorities; recovery of misappropriated amounts through all available means

Persons who report a suspected cash handling violation or misappropriation in good faith are protected from retaliation under GOV-003 (Whistleblower Protection Policy). The Finance Department and the President maintain absolute confidentiality regarding the identity of any person who reports a concern in good faith.

Procedures

Daily Cash Receipts and Deposit

1. The cash handler issues a pre-numbered receipt for every transaction upon receiving cash. The receipt is completed in full — date, payer name, amount, purpose, payment method, and handler initials.
2. At the close of the business day, the cash handler prepares the daily cash summary by: totaling all receipts issued; counting physical cash; and reconciling the two totals. Any variance is documented on the discrepancy log.
3. The daily cash summary and discrepancy log (if applicable) are reviewed and signed by the supervisor before the cash is prepared for deposit.
4. The depositor (a different person from the receiver, wherever possible) prepares the deposit slip, seals the cash in a tamper-evident bag or locked cash box, and either deposits it at the bank or secures it in the Finance Department safe by the end of the business day.

5. The bank deposit receipt is returned to the Finance Department and matched to the deposit slip. Both documents are filed for monthly reconciliation.

Petty Cash Fund Replenishment

1. When the petty cash fund falls below 25% of its authorized balance, or at month end, the custodian completes the Petty Cash Replenishment Form.
2. The custodian attaches all original receipts since the last replenishment, totals them, and performs a physical cash count confirming that cash plus receipts equals the authorized fund balance.
3. The supervisor reviews and signs the Replenishment Form, confirming that receipts are appropriate, original, within limits, and for permitted purposes.
4. The Replenishment Form and receipts are submitted to Finance. The Finance Officer reviews them, confirms the total, and processes a cheque or transfer to the custodian for the replenishment amount.
5. On receipt of the replenishment, the custodian confirms the fund balance is restored and records the replenishment in the petty cash log.

Surprise Cash Count

1. The Director of Finance schedules surprise cash counts for each active petty cash fund at least twice per year. The count dates are not disclosed in advance to the custodian.
2. The Finance Officer conducting the count: requests the custodian to present all cash, receipts, and the petty cash log; counts the physical cash in the custodian's presence; totals the outstanding receipts; and verifies that cash plus receipts equals the authorized fund balance.
3. The count result is documented on the Surprise Cash Count Form, signed by both the Finance Officer and the custodian. Where any variance is found, the discrepancy escalation framework in Article 10 is applied immediately.
4. Completed count forms are retained by the Finance Department and presented to the external auditor as evidence of ongoing monitoring. The Director of Finance reviews all count forms and notes any patterns across funds or over time.

Monthly Bank Reconciliation

1. Within 10 working days of each month end, the Finance Officer performs the monthly bank reconciliation for each AIU bank account by: obtaining the bank statement directly from the bank; listing all deposits recorded in the accounting system; matching deposits to bank credits; and identifying any outstanding or unmatched items.
2. Outstanding deposits and unmatched items are investigated promptly. Any item outstanding for more than 15 working days is escalated to the Director of Finance.
3. The completed reconciliation is reviewed and countersigned by the Director of Finance. Any transaction appearing on the bank statement that was not previously recorded in the accounting system is immediately investigated for authorization and legitimacy.

4. Reconciliations are filed electronically with supporting bank statements and retained for seven years. The year-end reconciliation is included in the audit package provided to the external auditor.

Annual Internal Controls Self-Assessment

1. By 1 November each year, the Director of Finance initiates the annual internal controls self-assessment using the internal controls framework in Article 11 as the assessment instrument.
2. The Director of Finance reviews each control category, preventive, detective, and compensating, against actual operational evidence: reconciliation files, discrepancy logs, surprise count forms, training records, and the segregation of duties register.
3. The self-assessment report documents: controls operating effectively; controls with identified weaknesses and their root causes; controls not yet in place; and a remediation plan with timelines for all identified weaknesses.
4. The report is presented to the Board Audit and Risk Committee by 31 August and made available to the external auditor. Material control weaknesses are disclosed in the external audit management letter and the notes to the financial statements where they meet the disclosure threshold.
5. The self-assessment results inform the following year's internal audit focus areas and the Finance Department's operational priorities.

President Signature	Signature: ________________________ Date: __________