



PRESIDENT'S OFFICE – REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT (PO-RALG)



MANUAL ON FACILITY FINANCIAL ACCOUNTING AND REPORTING SYSTEM (FFARS)

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FOREWORD

The Government of Tanzania is committed and implementing various public programs and initiatives all geared towards ensuring the well-being of all Tanzanians. LGAs and especially at lower levels [facilities (primary schools, secondary schools for education; dispensaries, health centres, district hospitals for health) as well as village governments] play a crucial role as they are the end units and hence provide services directly to the citizens.

In recent years, facilities have been receiving huge amount of funds from various sources: collection from their own sources; contributions from communities and donors as well as grants from central government being disbursed or sent directly to the facility bank accounts. For instance, education funds to cover for capitation grants, compensation for school fees and food sent directly to primary/secondary schools bank accounts since 1st January, 2016; User fees, RBF, CHF and NHIF from health sector are disbursed directly to health facility bank accounts and basket funds will start being disbursed directly to health facility bank accounts with effect from 1st July, 2017.

On the other hand, accounting and reporting system at the facilities has been inadequate. As such, existence of sound and proper system of accounting, financial management and procurement (as required by law) at this level is of paramount importance to ensure proper accounting/accountability and utilization of financial resources at their disposal. This will also contribute to improved and quality delivery of services to the citizens.

On that basis, this manual has been prepared to provide for a unified, simple and practical as well as computerized system of accounting and reporting covering all sectors at the facility level. It is a result of harmonized individual sector accounting/financial management systems that existed at the facilities. It will therefore act as a reference and working tool at this level geared towards guiding the facility officials in ensuring proper accounting, utilization and reporting of all financial resources (both own and external financial resources) that are availed at the facility.

Lastly, I wish to express my special and sincere appreciation for the support provided by the government of the United States of America through its agency (USAID under PS3 Activity) in the whole process of preparing this manual. I also extend my appreciation **to SDC under HPSS project** for its valuable contribution to the preparation of this manual by providing reference documents and dedicated expert who contributed a lot throughout the whole process.

Furthermore, I record my appreciation to all officials and individuals who devoted their skills, efforts and time in preparing this manual. They comprise of staff from PO-RALG, PS3, RSs, LGAs, Ministry of Health, Community Development, Gender, Elderly and Children (MoHCDGEC), Ministry of Education, Science and Technology and other key stakeholders who made valuable inputs into the Manual.

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LIST OF ABBREVIATIONS

CAG	Controller and Auditor General
CDR	Council Development Report
CFR	Council Financial Report
CHF	Community Health Fund
FFARS	Facility Financial Accounting and Reporting System
GFS	Government Financial Statistics
HPSS	Health Promotion and System Strengthening
GRN	Goods Received Note
IFMS	Integrated Financial Management System
IPSAS	International Public Sector Accounting Standards
LAAM	Local Authority Accounting Manual
LAFM	Local Authority Financial Memorandum
LGA	Local Government Authority
LPO	Local Purchase Order
MEO	Mtaa Executive Officer
MoFP	Ministry of Finance and Planning
MoHCDGEC	Ministry of Health, Community Development, Gender, Elderly and Children
MoEST	Ministry of Education, Science and Technology
MTEF	Medium Term Expenditure Framework
NHIF	National Health Insurance Fund
PO-RALG	President's Office- Regional Administration and Local Government
PPA	Public Procurement Act
PS3	Public Sector Systems Strengthening
RAS	Regional Administrative Secretary
RBF	Results Based Financing
RSs	Regional Secretariats
USAID	United States Agency for International Development
VEO	Village Executive Officer
WDC	Ward Development Committee
WEO	Ward Executive Officer

DEFINITION OF COMMON TERMS

Term	Definition
“Accounting”	Is defined as the process of identifying, measuring, recording and communicating of financial information associated with economic events to permit informed judgments and decisions by its users.
“Bank Reconciliation”	Is the process of comparing receipts and payments as recorded in the facility’s cash book (bank column) against the items appearing in the bank statement issued by the bank. It is normally carried out on monthly basis with the key objective of identifying the items which make up differences between the two independent records.
“Books of Account”	These are financial records, ledgers and journals that make up the accounts of a facility. They represent the financial memory of the facility, and are crucial for continuity, decision-making, analysis of facility performance, and ensuring regulatory compliance.
“Budget”	Is defined as an estimate of expected incomes and expenditures for achieving operational goals of an organization over a certain time scale
“Facilities”	The term is used in this document to include all health and education sector facilities (primary schools, secondary schools for education; dispensaries, health centres, district hospitals for health) as well as village governments.
“Financial Accounting”	Is the branch of accounting which is mainly confined to the preparation of financial statements for external users like government, creditors, banks/ financial institutions, potential investors, donors and the public (e.g. taxpayers)
“Financial Reports”	Are the end results of the accounting cycle. They provide formal record of the financial activities/results and position of a facility produced at a specified period e.g. monthly, quarterly or annually.
“Internal Control”	A policy or procedure designed to minimize the risk of deliberate or accidental errors or omissions in the processing of financial, operating or accounting systems.
“Plan”	Is a pre-determined set of activities an organization intends to implement during a definite time period based on its policy directions (vision, mission, goals, objectives and strategies) and aiming at producing desired outputs in order to address problems or improve existing situations
“Risk Assessment”	A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization objectives

Term	Definition
“Vendor”	Also termed as supplier. Refers to a person (individual or firm) who sells or supplies goods or services to other parties (individuals or organizations).

SECTION 1

1 INTRODUCTION

This section discusses introductory aspects of the manual. It covers background, purpose, scope, structure and review of the manual. It also highlights compliance with legal requirements.

1.1 Background to the Manual

Facilities or service providers are key organs at the lower level government that deal with direct provision of services to the citizens. They are therefore wings of Local Government Authorities (LGAs) and hence accountable to the same.

For quite some time, accounting and reporting system at the facility level has been characterized by individual sectoral systems, health and education sectors being dominant. This has led to lack of unified system of accounting and reporting and difficulties in LGAs capturing accurately expenditures spent at the facility level.

There are also significant current developments aimed at improving the LGA Planning and Reporting System (PlanRep) as well as the LGA accounting software (EPICOR). These improvements aim to make the high level LGA systems interoperable or able to talk/integrate with Facility Financial Accounting and Reporting System (FFARS) especially on planning & budgeting (PlanRep), and expenditures tracking (EPICOR).

There is a significant increase of funds at the disposal of the facilities. For instance, the government, with effect from 1st January, 2016 started disbursing funds for education directly to facility bank accounts (primary and secondary schools) to cover for capitation grants, compensation for school fees and food. Similarly on the side of health sector, user fees, results-based financing (RBF), community health fund (CHF) and National Health Insurance Fund (NHIF)

are disbursed directly to health facility bank accounts and health basket funds (HBF) will start being disbursed directly to health facility bank accounts with effect from 1st July, 2017.

The requirements of laws, regulations and standards must also be considered. For instance, IPSAS 35, with effective from 1st January 2017, demands consolidated financial statements which includes accounts of all levels in the LGA i.e. both higher and lower government levels. Therefore, there is urgent need for existence of sound and proper system of accounting, financial management and reporting (as required by law) at the facility level to ensure maintenance of complete, realistic and accurate accounting records; preparation of timely and realistic financial reports and ensure proper accounting and utilization of financial resources received by and/or availed to facilities hence contribute to effective and quality delivery of services.

In that endeavour, PO-RALG, MoHCDGEC, MoEST in collaboration with PS3 and HPSS worked together to develop this system to address the above-mentioned challenges and arising issues. The responsible authorities are well aware that introducing FFARS is an ambitious effort that must be accomplished step-by-step including the shift from manual to automated systems. Facilities are able to manage and perform financial accounting and reporting and are already undertaking many of the tasks. FFARS will help them consolidate, improve and link current accounting and reporting activities through a strengthened and comprehensive system.

1.2 Purpose of the Manual

This manual has been prepared to provide for a unified, simple and practical system (both paper and electronic system) of accounting and reporting covering all sectors at the facility level. It will therefore act as a reference and working tool at this level geared towards guiding the facility officials in ensuring proper accounting, utilization and reporting of all financial resources (both own and external financial resources) that are availed at the facility.

1.3 Scope

This manual applies to all types of facilities in all sectors (e.g. primary schools and secondary schools for education; dispensaries, health centres, and district hospitals for health) including village governments.

1.4 Compliance with Legal Requirements

This manual complies and refers to various laws, regulations, standards and circulars as listed below:

- Public Finance Act (2001) as revised 2004 and amended 2010
- Local Government Finance Act (1982) revised edition 2000
- Local Authority Financial Memorandum (LAFM), 2009
- Local Authorities' Accounting Manual (LAAM), 2009
- Public Procurement Act (2011) as amended 2016 and its related Regulations
- Budget Act (2015)
- IPSAS related to Local Government Authorities
- PlanRep and Epicor Implementation in Local Government Authorities.
- Various reporting formats such as Council Financial Report (CFR) and Council Development Report (CDR).
- Government Financial Statistics (GFS) codes in the Local Authorities Accounting.
- Other instruments from sectors (health, education and other sectors).

1.5 Structure of the Manual

This Manual is divided into nine (9) sections and their corresponding Annexes as summarized in Table 1 below:

Table 1: Structure and Summary of the Manual

S/N	SECTION	DESCRIPTION
1.0	Introduction	Describes the purpose/rationale, scope, compliance with legal requirements, structure and review of the guideline.

S/N	SECTION	DESCRIPTION
2.0	Accounting as an Information System	Discusses key activities/steps of the accounting information system, link between Local Government accounting at council and facility levels, basic accounting principles and conventions, coding system and key accounting/financial management responsibilities at the facility.
3.0	Planning and Budgeting	Highlights the planning and budgeting process as well as preparation of plans and budgets at the facility level.
4.0	Basic Accounting Documents and Books of Account	Describes revenue and payment procedures as well as key accounting documents and books of account to be kept.
5.0	Accountable Documents	Describes the accountable documents and their respective accounting procedures
6.0	Internal Controls	Explains the meaning of, need for, component of, responsibilities for and limitations of internal controls. It also describes the application of controls in selected key functional areas as well as audit and oversight in respect of controls.
7.0	Bank Reconciliation	Explains the reasons for preparing and mechanics on how to go about preparing bank reconciliation statements.
8.0	Procurement Procedures and Stores Management	Discusses procurement procedures and stores management at the facility
9.0	Financial Reports	Explains and provides for the meaning, purpose, types and frequency of preparing and submission of financial reports
Annexes		
	Annexes	Presents templates and formats of different tools to be used in financial accounting, financial management, procurement and stores procedures and reporting at the facility level.

1.6 Review of the Manual

The responsibility for ensuring compliance with the Manual, and for updating the Manual, rests with the PO-RALG. Review of the Manual will be necessitated by changes in applicable laws and regulations in Tanzania. Suggestion for amendments, additions and improvements to the Manual should be directed to PO-RALG.

SECTION 2

2 ACCOUNTING AS AN INFORMATION SYSTEM

This section discusses key activities/steps of the accounting information system, link between Local Government accounting at council and facility levels, basic accounting principles and conventions, coding system and key accounting/financial management responsibilities at the facility.

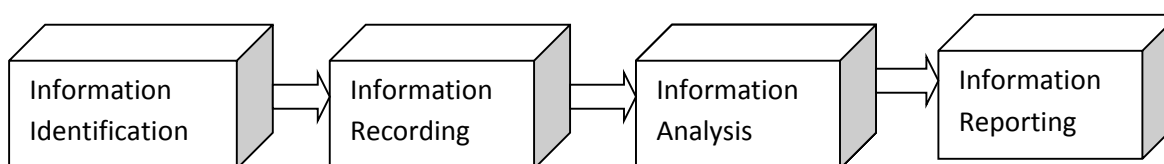
2.1 Introduction

Service facilities through Local Government Authorities (LGAs) are required by law to maintain accounting records related to receipt and use of financial resources which are availed at their disposal over a particular period of time. This requires maintenance of proper books of accounts as well as preparing financial reports thereon. The accounting function serves this purpose.

Accounting can be defined as “the process of identifying, measuring, recording and communicating of financial information associated with economic events to permit informed judgments and decisions by its users”. It serves as an information system and provides information to a wide range of users both within and outside the organization.

Figure 1 below provides summary of accounting as an information system:

Figure 1: The Accounting Information System



Every activity undertaken in an accounting process has a particular significance as follows:

- i. **Identification**- involves determination of the financial significance of each transaction or event so as to record it properly. It is performed by the accounts clerk or any other staff that has been given responsibility in accounting.

- ii. **Recording-** It is the basic function. It is concerned with ensuring that all business transactions are recorded in an orderly manner and in the relevant books such as the receipts, income register, payment vouchers, cash books, ledger etc.
- iii. **Classifying-** It is concerned with reducing the mass of detailed information into compact and usable form i.e. grouping information into account heads like user fee, capitation, traveling expenses, printing and stationery, textbooks etc.
- iv. **Summarizing and Computing-** simply bringing together and aggregating various items of financial information in an understandable manner to determine or explain the results. It leads to the preparation of financial reports like income and expenditure report, financial position.
- v. **Interpreting-** it is about explaining the meaning of the data so simplified e.g. what entails stocks, fixed assets etc. This is done through directing attention to the significance of various financial matters and relationships. Percentages, footnotes etc. are often used to help interpret the accounting information.
- vi. **Reporting-** This follows after summarizing and interpreting. Financial information needs to be communicated to the proper people and in proper form.

The above activities constitute what is called the Accounting Cycle i.e. the financial process starting with recording business transactions and leading up to the preparation of financial statements normally at the end of the year. In other words, it is a set of steps that are repeated in the same order every period.

2.2 The link between Local Government accounting at council and facility levels

The accounting activities at the facility level are part and parcel of the accounting activities at the council level and thus a direct link between the two as explained below:

- i. Improving efficiency at the facility level by having a better matching of financial resources used and services provided.
- ii. Planning and budgeting at the facility level feeds into the planning and budgeting at the Council level. Hence budget codes used at the council level will also apply at the facility level i.e. cost Centre codes, fund type, same GFS codes for inputs
- iii. Classification of income and expenditure items will be the same at both levels.
- iv. Coding of transactions at facility level will be according to the coding at the LGA level.
- v. Actual expenditures at the facility level are accumulated to determine budget performance over a given period of time e.g. end of the year at the LGA level.

- vi. Preparation of financial reports at the facility level should allow consolidation of the same into the LGA accounts.
- vii. Auditing undertaken at the facility level is part and parcel of the auditing taking place at the LGA levels, such as ethics, standards and performance.

2.3 Basic Accounting Concepts

The discipline of accounting is based on certain fundamental accounting concepts or principles as explained below

- i. **The Business Entity Concept-** stipulates that all the accounts that are kept by an entity are distinct from those of the persons owning or managing the entities.
- ii. **The Money Measurement Concept-** assumes that every activity of an organization deserving to be recorded is measurable in money terms. This makes it possible for additions or subtractions.
- iii. **The Cost Concept-** businesses must record and account for most assets and liabilities at their purchase or acquisition price.
- iv. **Going Concern Concept-** based on the fact that entities are usually granted perpetual life by their charters. It is assumed that the entity will not be dissolved or liquidated in the near future, but rather continue in existence indefinitely.
- v. **Accrual Concept-** The principle states that all revenues and expenses are matched with the period in which they are earned or incurred, irrespective of whether they have been paid or not.
- vi. **The Dual Aspect Concept-** It is the fundamental rule of double entry book-keeping which states that *for every debit there is corresponding credit entry* in any particular financial transaction. Thus, at any point in time, *total debits must equal total credits*.

2.4 Accounting Conventions

Accounting conventions are norms or customs which are used as a guide in the preparation of accounting reports and statements especially when applying the accounting concepts or principles in practice. These conventions are also known as doctrine. The following conventions are generally observed in interpreting the principles:

- i. **Prudence or Conservatism Convention-** This convention briefly states that in case of doubt “anticipate no profit and provide for all possible losses”. It provides caution for showing healthier financial results which could not actually received.
- ii. **The Consistency Convention-** It briefly states that business entities should use the same accounting treatment for similar events and transactions over time unless justified otherwise e.g. use of depreciation methods, asset valuation policies etc.
- iii. **The Materiality Convention-** The convention requires that all important financial information that would change the opinion of a financial statement user should be included in the financial statements.
- iv. **Substance over Form Convention-** The convention states that where there is doubt, treatment shall be adopted which exhibits the economic substance of a transaction rather than its legal form.

2.5 Coding System

As already explained in sub-section 2.2, the coding system used at the LGA/Council level, is the same being used across all facilities. However, at the facility level, there will be fewer coding segments, at most four (4) segments to enable simplicity at this level. The following segments will constitute the coding system at the facility level:

- (i) *Facility Code-* This is the facility registration number
- (ii) *Fund Source Code-* Code number as provided in the LGA Chart of Accounts
- (iii) *Activity Code-* Code number as provided in the LGA Chart of Accounts
- (iv) *Input Code-* Code number as provided in the GFS Manual

Example related to a service input for the health sector:

Facility: Fulwe Dispensary in Morogoro Region.

Fund Source: Community health financing schemes (CHF, NHIF and User Fees).

Activity: Train 6 staff in charge of health facilities for 3 days on Malaria prevention.

Input: Allowance.

Facility Code	Fund Source Code	Activity Code	Input Code
101159	8	ABCDSS	210303

Example related to a service output or actual delivery of services to population:

Facility: Fulwe Dispensary in Morogoro Region,

Fund Source: Community health financing schemes (CHF, NHIF and User Fees).

Activity: deliver malaria services to the population

Input: maybe supplies, lab test, and drugs. To show that different inputs will combine to produce malaria service output.

Facility Code	Fund Source Code	Activity Code	Input Code
101159	8		
101159	8		
101159	8		

2.6 Key Accounting/Financial Management Responsibilities of Organs and Officials at Facility Level

The key accounting/financial management responsibilities at the facility are mainly relate to the facility committee/board and facility in charge.

ORGAN/OFFICIAL	RESPONSIBILITIES
Facility Committee/Board	<ul style="list-style-type: none">• Deliberate facility plans and budget.• Discuss and deliberate on facility financial reports presented by Head of facility.
Head of facility	<ul style="list-style-type: none">• Overall responsible for accounting, financial and procurement matters at the facility.• Propose responsible staff (to be approved by facility committee/board) to perform some tasks on accounting and financial management at the facility.• Secretary to the facility governance committee/board.• Ensure adherence to financial and procurement rules and procedures.• Ensure preparation and submission of financial reports to all relevant organs.
Staff responsible for Accounts	<ul style="list-style-type: none">• Daily recording of cash book• Preparation of payment vouchers

ORGAN/OFFICIAL	RESPONSIBILITIES
	<ul style="list-style-type: none"> • Preparation of bank reconciliation • Custodian of payment documents and other accountable documents • Preparation of financial reports
Staff responsible for Stores	<ul style="list-style-type: none"> • Identify the required items or services to be procured depending on the available budget • Submit to head of facility the proposed items/service to be purchased • Send to and collect from suppliers the quotations for proposed purchases • Record the goods in the relevant Stores Ledger • Make available all supporting documents required for payment to the supplier • Find, sort or move goods between different parts of the facility • Compile reports on various aspects of changes in inventory • Check inventory records for accuracy • Keep records of items shipped, received, or transferred to another location • Issue, receive and keep all stores records.

SECTION 3

3 PLANNING AND BUDGETING

3.1 The Concept of Planning and Budgeting

The annual plans and budgets are central component in the management of both private and public sector organizations. The annual budget becomes the dominant tool for planning, coordinating, organizing and controlling activities.

3.1.1 What is a plan?

A plan is a pre-determined set of activities an organization intends to implement during a definite time period based on its policy directions (vision, mission, goals, objectives and strategies) and aiming at producing desired outputs in order to address problems or improve existing situations.

3.1.2 What is a budget?

A budget is simply defined as an estimate of expected incomes and expenditures for achieving operational goals of an organization over a certain time scale. It is basically a quantification of the plan into monetary terms. It has two main objectives: **planning** and **control**.

3.2 Benefits of Preparing Plans and Budgets

The preparation of annual plan and budget for the facility offers the following benefits:

- i. Provides the basis for execution of intended activities– as the facility will only implement activities that are part of the approved plan and budget and contribute to delivering facility service outputs.
- ii. Is the basis for monitoring and hence a plan and budget facilitates effective and efficient utilisation of scarce resources?
- iii. A facility annual plan and budget is the facility's tool for performance monitoring and financial control.

3.3 Guiding Principles for Preparing Plans and Budgets

Preparation of Plans and Budgets of the facility should be guided by the following principles:

- i. Plans and budgets must be realistic. This means that the facility should formulate the plans they are able to implement.
- ii. Plans must be prioritised. Given the resource constraints, facilities have to prioritise their planned activities based on what they can implement.
- iii. Facilities should plan for investments as well as administration/recurrent costs. As the facility plans and budgets to construct a project, they should also plan and budget on how that project will be operated.
- iv. Plans and budgets should quantify outputs.

3.4 The Planning and Budgeting Process at the Facility Level

The planning and budgeting cycle at the facility level is completed between November and December. The key steps involved are summarized in table 2 below:

Table 2: Planning and Budgeting Stages at the Facility Level

SN	Key Stage/Step including Actors	Timing
1	Council Director initiates the planning and budget process in the LGA by issuing circular letter to LLGs through WEOs which includes indicative planning figures and guidance on the planning and budgeting exercise.	November
2	WEOs disseminate budget guideline to Vijiji/Mtaa.	November
3	MEOs/VEOs receive and disseminate budget guideline to Vitongoji/facilities and inform budget experts from each sector to start planning and budget from their respective areas.	November
4	At facility level sector experts identify priorities and service outputs based on national priorities and sector specific service outputs.	November- December
5	Costing of revenue and expenditure items based on codes and guidance from LGA level. This includes identification of service inputs.	November- December
6	Proposed facility plan and budget presented and discussed in the facility committee/board for inputs and deliberations at that level.	Early December
7	Facility budget estimates submitted to Village/Mtaa (VEO/MEO) by the Facility In charge.	Early December
8	MEOs/VEOs convene Planning and Finance Committee and Village Council Meetings and table before them the received budget estimates from sector experts for scrutiny and further discussions.	Early December
9	Village Assembly Meeting to deliberate and recommend to higher levels. Submission to WEOs the consolidated plans and budget of the Village/Mtaa.	Early December

SN	Key Stage/Step including Actors	Timing
10	WEOs receive estimates from Vijiji/Mtaa, provide suggestion(s) where necessary and submit the consolidated plans and budgets to Ward Development Committee (WDC).	2 nd week December
11	WDC receives, scrutinizes and where necessary, provides its opinion/inputs before forward the Ward plans and budgets to LGAs.	2 nd Week December
12	LGA receives LLG plans and budgets [<i>plus signed minutes (by all members) of the WDC Meetings</i>] and provides relevant inputs/comments based on National Budget Guideline.	2 nd Week December
13	MEOs/VEOs/Facility In charges receive plans and budgets with inputs and/or comments from LGA through WEOs.	3 rd Week December
14	MEOs/VEOs/Facility In charges analyse, consider and make appropriate adjustments to plans and budgets. <ul style="list-style-type: none"> ○ Facility in charges submit to facility committee for further deliberations and later submission to VEOs/MEOs ○ VEOs/MEOs submit to Village/Mtaa Assembly Meetings 	3 rd Week December
15	Village/Mtaa Assembly Meetings discuss and submit revised plans and budget to WEO for discussion in the WDC.	Late December
16	WDC scrutinizes and discusses revised Village/Mtaa Plans and Budget.	Late December
17	LGA receives revised Village/Mtaa plans and budget and consolidates into its overall plan and budget for both recurrent and development funds.	Early January
18	Council deliberates its plan and budget and submits it to higher level organs for inputs, scrutiny and approval.	Mid-January - Early February
19	LGA informs Villages/Mitaa their grant allocation for the fiscal year.	June (after Parliamentary Approval)

3.5 Preparation of a Plan and Budget of a Facility

There are six important elements to be observed when preparing a facility's plan and budget.

These elements are:-

- i. Priorities (in the context of facility delivering products or service outputs to the population)
- ii. Intervention
- iii. Targets/ indicator
- iv. Coverage (geographic areas that planned activities are aimed at)
- v. Activities to be implemented
- vi. Expected Outcome

Then costing is done properly using all available information in the market. See also the template below (Table 3) which can be used by any facility from any sector to summarize costing and ultimately prepare budgets as well as Table 4 for the illustration.



NOTE: For detailed sector specific considerations, reference should be made to their respective guidance. For instance in the health sector, *Guideline for Developing Annual Health Centre and Dispensary Plans (2016)*.

Table 3: Template of Budget Preparation

Priority	Intervention	Activities	Target	GFS-Code	Unit Cost			Total cost
					Input	Number of units / Quantity	Unit Cost/ price	

Illustration: The case of Health Sector

Priority.....Communicable disease control: Intervention..... Malaria

Target/indicator.....Reduce Malaria cases from 60% - 50% by June ...

Coverage..... Four health facilities

Activities to be implemented:-

- Train Community health workers in Malaria control activities
- Procure Laboratory reagents
- Procure anti- malarial drugs quarterly (SP & ALU)

Expected outcome:- Reduction of cases of malaria

Table 4: Example of Budget Preparation- The Case of Health Sector

Priority	Intervention	Activities	Target	GFS-Code	Unit Cost			Total cost	
					Input	Number of units / Quantity	Unit Cost/ price		
Communicable Disease Control	Malaria	Train 6 in charges of health facilities for 3 days on Malaria prevention	U5 deaths attributed to Malaria reduced from 5% to 3%	210303	Allowance	6 people x 3 days	10,000	180,000	
				220406	Stationery	6 sets	2,000	12,000	
				220709	Conference charges	1 x 3 days	40,000	120,000	
				221002	Ticket	6 people	10,000	60,000	
				210503	Refreshment	6 people x 3 days	10,000	180,000	
		Subtotal – Activity 1							552,000
		Procure Laboratory reagents		220407	Lab reagents	30	20,000	600,000	
		Subtotal – Activity 2							600,000
TOTAL								1,152,000	

NB: See also Template 14 for the overall budget estimates (revenue and expenditure costing).

SECTION4

4 BASIC ACCOUNTING DOCUMENTS AND BOOKS OF ACCOUNT

4.1 Basic Accounting Procedures

Each facility is obliged to maintain proper accounting records for finances and other assets in line with the requirement of the laws and regulations mentioned in Section 1 item 1.4. Each Council is supposed to solicit permit to open facility bank accounts from the Ministry of Finance and Planning (MoFP). It is expected that each facility will open the bank account and operate effectively with the guidance from the Council Treasurer.

The following are some details of accounting procedures and reporting systems to be applied at the facility level.

4.1.1 Basic Accounting documents and records to be maintained by the Facility

The following are some of the basic accounting documents and records to be maintained by facilities: -

- i. Analytical Cash Book (Receipts and Payments)
- ii. Receipt book
- iii. Payment vouchers
- iv. Cheque books
- v. Purchase order books
- vi. Fixed assets register
- vii. Stores ledger
- viii. Cheque dispatch register
- ix. Imprest register

4.1.2 Operation of Bank Account

The following are some of the key issues relating to operation of bank accounts:

- i. All financial transactions related to receipts and payments of the facility will be processed through the established bank account.

- ii. Payment from this account shall be made only for approved planned activities and not otherwise.
- iii. Every bank transaction document shall be counter signed by authorized Facility committee/Board member and head of facility.
- iv. For control purpose, transparency and joint accountability, all transactions related to bank account including cheque drawn / issued by facility, instructions to bank should be signed by both officials from group/category A and B.
- v. Council Treasurer is responsible to issue instructions on financial management to all facilities at the lower level of the LGA.

4.1.3 Facility Bank Account Signatories

Facility bank account signatories will be categorized as follows:

Category A - signatories will comprise of head of facility/officer in charge and one officer appointed among facility staff.

Category B - signatories will comprise the chairperson of the governing committee and one person appointed among committee members.

A cheque must be signed by two persons, one person from **category A** and another person **from category B**. No single category members will be allowed to sign a cheque and draw cash from the bank. This condition ought to be observed by the respective bank during filling of mandatory forms.



Note:

- i. It is strictly prohibited to keep facility funds in pocket or office drawers. On the other hand, facility should make all payments through bank by writing a cheque.
- ii. Where authorized, a petty cash will be maintained as per approved limits. The petty cash limit will have to be approved by the facility governing committee.
- iii. The petty cash must only be used for office running and covering minor/emergency expenses.
- iv. Facility's revenue and expenditure reports should be posted on facility notice board for transparency and accountability to community members using the facility.

4.1.4 Receipts

A receipt is an official acknowledgement of money received by the facility. As a matter of principle every acceptance of public money must be acknowledged by means of an appropriate and approved receipt. The term “**receipt**” includes all formal receipts, licenses, tickets, stickers and any other official document used in connection with the collection of public money and issued upon the authority of responsible Local Government. Council Treasurer shall issue the facility a receipt book. The receipts will be used by the facility to acknowledge all funds received from any source. The receipts fall into two main groups as follows:

(a) General Revenue Receipt

This is a printed open receipt designed to be used in acknowledging the receipt of monies the sources of which are many and varied. It is used in the collection of general revenues e.g. community contributions, donations, etc. It is also used to acknowledge monies received from Ministry or the Council.

(b) Fixed Fee Receipts

A fixed fee receipt is for a specific source of revenue for a fixed amount and this amount is printed on the receipt. This receipt is used to acknowledge fixed fees revenues such as health services user fees.

Procedures for Issuing Receipts

- i. Receipts must be properly completed and must contain an adequate explanation of the payment made to the facility.
- ii. If a mistake is made in writing out a receipt, the receipt must be cancelled and should be retained in the counterfoil book for audit purposes. The authorized officer must sign all such cancellations.
- iii. If the reverse side of the receipt is used to record details, those details should be headed by the date of the receipt, its serial number and the name of the payer.

- iv. When cheques are received their serial numbers must be recorded on the receipt.
- v. For direct lodgement made in the facility bank account, if identified and after confirmation, acknowledgement receipt must be issued and the same be recorded into the cash book on bank column.
- vi. The serial number of each receipt issued for money received must be entered against the receipt entry in the Cash Book.
- vii. In case of facility with huge transactions for receipts, (e.g. fees) there will be a separate collection point where by the receipts for direct collection (the one issued to payer) will be aggregated and the Accounts Clerk will issue a general receipt to the collector.
- viii. The general receipt will indicate a range of all serial numbers of the batch receipts of which a single receipt is issued.
- ix. The original of the receipt is immediately given to the payer **except** in: -
 - The case of contra entries when it is pinned to the payment Voucher.
 - In the case of sums paid directly into the bank account when the receipt is sent after the facility has identified the credit in the bank account and entered it in the Cash Book.

4.1.5 Payments

Payments include actual transactions and contra entries where no monetary transaction occurs. Payments must be made by means of a document called a **payment voucher**. All payment by cheque will be made by cheque payment vouchers and for cash payment; the cash payment voucher will be used. See also **Template 1** and **Template 2**: for the formats.

Some key requirements relating to payments:

- i. All payments must be fully supported by relevant documentation and duly approved
- ii. Payments must be properly authorized and that sufficient funds are available to meet the expenditure after taking into account the commitments. The authorization shall be in ink or ball-point pen only.
- iii. The Head of Facility is the authorizing officer for all payments based on approved claims for payment.

- iv. The Head of Facility shall be responsible for certifying the accuracy of all claims and shall be held personally accountable for improper execution of this function.
- v. The Head of Facility may designate in writing and by name specific persons who shall have the authority to sign payment vouchers on behalf, prescribing the financial limits and any other condition within which this authority may be exercised.

a. Payment Voucher

A voucher is any document that serves as evidence of the facility to pay cash/ issue cheque or as evidence that cash has been paid. It is used as an action sheet for processing payment. Payment vouchers must contain adequate explanation of the payments being made, and the authority on which they are paid, e.g. references of payment orders, minutes, and files carrying relevant correspondence.

- i. A payment voucher, at least in two copies shall be prepared for each payee. The original copy be filed with supporting documents, the duplicate to payee file.
- ii. The Head of Facility as an Authorizing Officer is responsible for ensuring that the preparation of the payment voucher is in order. (all appropriate documents will be obtained from the Council Director/Treasurer).
- iii. Payments from the facility account will be made by cheque/Tanzania Interbank Settlement System (TISS).
- iv. Payments in respect of supplies shall be supported with the following:
 - Signed minutes of the governing committee for procurement approval.
 - A copy of the purchase order (LPO).
 - The supplier's original invoice.
 - Delivery Note.
 - Inspection and Acceptance Committee letter for Goods.
- ii. For contract work, consultancy and technical equipment, the following will be required as additional supporting documents:
 - Copy of the consultancy contract and report (where applicable).
 - Certificate for construction works (to be issued by a person responsible for inspection/certification of works).

- Certificate for supply and/or installation of equipment (this is applicable only for technical supplies).

b. Payment authorization

- i. All payment vouchers shall be authorized - accounts clerk shall sign the voucher and pass it to the head of facility for approval.
- ii. Before authorization, the Authorizing Officer (head of facility or a delegated staff) shall check all supporting documents for relevancy and accuracy.

c. Documentation/Custody

- i. All payment vouchers with supporting documents shall be kept in safe custody.
- ii. Payment vouchers and other supporting documents shall not be destroyed without the approval from relevant authority.

d. Cheque Payments

Procedures to be undertaken when payments are made by cheques will include:

- i. No cheque should be prepared unless approved payment voucher with supporting document is available.
- ii. At no time should more than one cheque book be used concurrently except for different bank accounts.
- iii. The name of the payee should be written on the cheque in full (abbreviations are not to be used).
- iv. For any particular payment being made, a cheque must be signed by two authorized signatories (one from each category, i.e. A and B).
- v. Cheque signatories are responsible for reviewing all the supporting documents to satisfy themselves that the payment is lawful and that it has been processed properly and will not sign blank cheques under any circumstances.

Payments by cheque must always be crossed. In circumstances where a cheque is made open, the payee must collect the cheque and acknowledge receipt in writing.

e. **Imprest procedures**

When it becomes necessary for an employee to be issued with an imprest to be utilised in transacting business on behalf of the facility, the following accounting procedures should be followed:

- i. The employee is required to fill an imprest form.
- ii. The imprest form is signed by the applicant and sent to the Accounts Clerk to confirm that the employee does not have outstanding imprest. The form is then sent to the head of facility for approval.
- iii. Imprest forms after being approved should be returned to the Accounts Clerk for recording in the staff imprest register and making payment in the manner described earlier.
- iv. Imprest should be accounted for as soon as the activity is completed or the necessity ceases to exist by observing the following:
 - The maximum period for any outstanding imprest is **fourteen days (14)** from the date of completion of the transaction/activity.
 - On retirement of an imprest the responsible employee must fill a retirement, attach all the supporting documents and send the completed form to the Accounts Clerk for verification and signature. After verification, the retirement form is forwarded to the head of facility for approval.
 - If the employee has accounted for an amount, which is less than the imprest, the balance, must be paid back otherwise it is recovered in full from his/her monthly salary.

- If the employee has submitted a claim, which is more than the imprest originally granted, the balance should be paid following procedures described in this manual (under section/para 4.1.5).
- Imprest holders are not relieved of their responsibilities until all submitted documents have been examined and found correct.

After the head of facility has approved the retirement form, the Accounts Clerk should make a **journal voucher** to transfer the imprest accounted for from the imprest account to the correct expense account and cancel all supporting documents with a rubber stamp. The journal voucher must be approved by the head of facility.

4.2 Books of Account

All facilities are required by law to maintain proper books of accounts. In order to comply with this requirement, a facility has to maintain a set of books into which all transactions of the facility will be recorded. The essential books to be maintained by the facility are cash book and general ledger.

4.2.1 *The cash book*

This is the book maintained for recording all receipts and payments made by the facility and should be kept up to date. The cash book has two sides, the receipt side and the payment side. When money is received on behalf of the facility, an acknowledgement receipt is issued, a copy of which provides the necessary information for recording in the cash book. For payments, a payment voucher will provide the basic information for recording in the cash book. The receipts form the debit entries and the payments form the credit entries into the cash book. See also **Template 3** (Analytical Cash Book) and **Template 4** (Control Book) for formats.

(a) Analytical Cash Book

This is analysis book (Template 2) in which receipts and payments are recorded and coded in an analyzed form to reflect the source and nature to which they relate. When analysis cash books are being used, they help to show the daily receipts and daily payments totals as well as balances.

Procedures to be observed when recording transactions in the cash book

- i. The cash book must be recorded on daily basis.
- ii. Three days after the end of the month, the head of facility has to collect bank statement for the month from the bank.
- iii. The facility should prepare monthly bank reconciliation statement and adjust the cashbook as the need for doing such adjustment arises.
- iv. Cash book must be balanced and bank reconciliation prepared monthly.
- v. Erasing and overwriting and use of correcting fluid to delete records is not allowed. If there is need to make any changes, use pen to cancel by drawing a line over the intended error correction.

(b) The Control Book

The control book (Template 4) is used to record each conditional receipts and daily payments from each allocation and ruled in such a way to provide a book balance for each allocation category; e.g. 30% Books, 30% Renovation, 20% Exams, 10% Admin, 10% Sport

4.2.1.1 The General Ledger

The general ledger is the basis of all accounting information and every change in the financial position of a facility will be recorded in this book. It is in this ledger that the double entry system is completed.

The ledger consists of similarly ruled pages and it is usually a book, although loose leave ledgers may be used. Each page of the ledger contains one type of account, the title of which appears at the top (see also **Template 5**). Other General books of accounts and records to be maintained by the facility are: -

- (a) Fixed Assets Register (**Template 6**)
- (b) Imprest Register (**Template 7**)

Fixed Assets Register

It is important that the existence of facility assets should be accounted for in a Register of Fixed Assets, (Template 6), and the expenditure for acquisition and repairs explained. Such a record enables the facility and management to know what properties and equipment are owned by the facility and what changes in ownership, if any, have taken place during the period. The record also facilitates the identification of any surplus assets (which could realize income) and periodic rent reviews for leased properties, etc. The register shows the following minimum information: -

- Type of asset
- Cost price or purchase price
- Date of acquisition
- Additions
- Disposals etc
- Any other pertinent information

Each type of property should be recorded on a separate page in the register.

4.3 Summary

This section has discussed the key financial documents and books of accounts to be kept at the facility level. Proper and systematic recording of the financial transactions in the books of accounts is the foundation of accounting. It enables maintenance of complete, accurate and reliable information as well as timely preparation of financial reports.

SECTION 5

5 ACCOUNTABLE DOCUMENTS

5.1 Definition

Accountable documents are those facility's documents which if misused, mislaid or stolen could cause financial loss to the facility. In order to avoid such losses, the storage, receipt and issue of such documents must be controlled. All documents, when not in use, should be securely held under lock and key in a safe or strong room.

The head of facility is responsible for the safe custody of all accountable documents. The head of facility shall ensure that a register is maintained of all accountable documents and that a receipt is obtained from every officer to whom an issue is made. All officers issued with receipt forms must render a return of used and unused receipts at the end of every month in a prescribed form.

5.2 The documents

Accountable documents at the facility that must be controlled are:

- Receipt books
- Payment vouchers
- Receipt forms, including, health fees, school fees
- Local purchase orders (LPOs)
- Cheque books
- Stores requisitions
- Invoices
- Stamps
- Delivery notes

5.2.1 Supply of Documents

All the revenue receipts and other accountable documents of the facility shall be obtained from the sources named by the Council Director.

Most of the documents are ordered from the government printers and its subsidiaries, and paid for by the LGAs. Cheque books are purchased from the authority's bank by completing a debit note which is attached in the cheque book.

When documents are received, they should be thoroughly checked in the presence of the supplier to confirm that the forms are serially numbered and consecutive. The documents shall be receipted by the relevant stores officer in order to put the documents on record, and be immediately issued to the responsible officer. The responsible officer shall keep the documents under lock and key in the strong room or safes. If any form is missing or defective, the following action shall be taken:

- Announce to all facilities and news media the invalidity of the form. This acts as a stop order to tell the public that Form No is no longer valid for transactions.
- The matter shall be reported to the Director who shall return the book to the supplier and request another complete book.

If it is necessary to transfer documents from one accounting unit to another, the head of facility must authorize the transfer.

5.2.2 Accountable Document Register

Every facility shall maintain a register of all receipts and issues of accountable documents. A separate register shall be maintained for each different type of document. The details recorded must be sufficient to enable the location, and the responsible officer, for each document to be identified.

5.2.3 Issue of Accountable Documents

Documents must be issued in consecutive order, and only to authorized officials. The head of facility must ensure that documents issued are not excessive. A signature *must* be obtained from the receiving officer, accepting responsibility for the documents issued.

5.2.4 Used Documents/Counterfoil

When the documents have been used, the officer shall return the counterfoils, used books etc. to a senior officer appointed. The counterfoils will then be checked against the collections deposited with the cashier or bank and if satisfied the receiving officer shall insert the date the documents have been returned.

These shall be kept under lock and key in the safe room for at least 5 years after the finalization of audited accounts for the year in which they were used. Under no circumstances should the documents be destroyed before an approval for destroy is obtained from the relevant authority.

5.2.5 Return of Used Documents

The register must be completed, showing clearly that the documents have been returned unused. Unused documents must be re-issued and accounted for as usual

5.2.6 Obsolete Stocks

When stocks become obsolete, for example receipts which are issued for a particular year, their disposal must be controlled.

The governing committee/board shall be informed of the intention to destroy the documents and approval sought from the Council Director. The committee/board must consent before the destruction to occur. The destruction shall be witnessed by two senior officers and a destruction report shall be prepared showing the type and serial number of the forms destroyed. The report shall be distributed as follows:

- Original to the Council Director.
- Duplicate filed and retained at facility.

5.2.7 Lost Documents

If an accountable document is lost, a loss report shall be written and communicated to the head of department. A copy of the report shall be sent to the Council Director. The director shall report the loss to the police and publicize the invalidity of the document

5.2.8 Handover procedures

When it is necessary to hand over the control of accountable documents to another officer, the following procedures shall be followed:

- a) Both officers shall physically count the documents and verify the numbers with the balance shown in the register of counterfoil receipts.
- b) A hand over certificate shall be prepared by the handing over officer and signed by both officers

SECTION 6

6 INTERNAL CONTROLS

6.1 Definition

Internal control is an integral process that is effected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved:

- Executing orderly, ethical, economical, efficient and effective operations
- Fulfilling accountability obligations through reports
- Complying with applicable laws and regulations
- Safeguarding resources against loss, misuse and damage.

6.2 The Need for Internal Control in Facilities

Controls are needed in order to prevent, detect or correct errors and mistakes that may happen in the respective facilities' activities. Therefore any facility wishing to provide its services in an orderly and efficient manner and produce reliable financial information, both for its own or others use need control measures to minimize the effects of these endemic system or human failings.

6.3 Components of Internal Control

Internal control consists of five interrelated components. Table 5 below presents a summary of the components and some examples for each component:

Table 5: Components of Internal Controls and their Examples

Component	Examples
1. Control environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the organization.	<ul style="list-style-type: none"> • LGA policies • Ethics • Tone at the top • Organizational authority • Skilled personnel
2. Risk assessment: on-going process of identifying all relevant risks to the achievement of entity's objectives, forming a basis for determining how risks should be managed	<ul style="list-style-type: none"> • Specifying objectives. • Risk assessment. • Potential for fraud. • Assessment of changes.
3. Control activities: Policies and procedures established to help ensure that management's directives to manage risks and achievement of objectives are carried out.	<ul style="list-style-type: none"> • Purchasing limits • Approvals/separation of duties such as cashiering, payments and maintenance of records. • Review and reconciliation of designated financial records • Actual to budget comparison • Monitoring cash and inventory levels • Access to and security over assets and other resources
4. Information and communication: identification, capture or generation and use of relevant and quality information from both internal and external sources.	<ul style="list-style-type: none"> • Reporting. • Organizational communication e.g. meetings, emails
5. Monitoring activities: Involves assessing whether each of the five components of internal control is present and functioning	<ul style="list-style-type: none"> • Periodic reviews of performance reports • Supervisory activities.

6.4 Internal Control Responsibilities at the Facility Level

The facility management is primarily responsible for:

- Establishing and maintaining internal control in the facility
- Assignment of specific responsibilities to individual staff
- Production of facility chart showing lines of reporting and supervision
- Instituting a system that provides internal check

In addition, Facility Committee/Board is responsible for overseeing that the facility designs and implements an effective internal control system.

6.5 Limitation of Internal Control

The effectiveness of internal control may be limited due to a number of factors in the facility, including:

- i. Staff carelessness, poor judgment or lack of knowledge
- ii. Staff taking short cuts instead of following procedures
- iii. Staff failing to recognize or act on unusual transactions
- iv. Collusion by staff for personal gain or other motives
- v. Controls and processes being overridden by Facility management
- vi. The cost of control where management may perceive it to be expensive to institute a control as compared to benefit of controlling
- vii. Staff incompetence leading to errors and unintentional mistakes.

6.6 Application of Controls in Selected Key Functional Areas

Examples of application of controls in some selected key functional areas of the facility are explained in Table 6 below:

Table 6: Application of Controls in Selected Key Functional Areas

Key Area	Risk Involved	Control Required
Accounting Process	<ul style="list-style-type: none"> i. One person completes all transaction from initiation to recording, that may result into fraudulent activities ii. Transaction booked without supporting evidences iii. Over or under recording of a transaction 	<ul style="list-style-type: none"> i. No one person is able to complete a transaction from initiation to recording (i.e separation or segregation of duties) ii. There is an authorization mechanism before a transaction is implemented iii. Each transaction should result in a documentary evidence (e.g receipts for cash received or vouchers for payment transactions) iv. Assets and records (e.g. cash or documents like vouchers or receipts) that results from a transaction are safely kept to avoid theft or amendments v. From time to time, and during a transaction there should be an independent check on the validity and accuracy of a transaction
Revenue Collection	<ul style="list-style-type: none"> i. The amount collected may not be banked in the appropriate Account ii. All the amount collected may not be recorded in books of accounts iii. Staff may commit fraud (e.g. use fake receipt books and swindling the revenue money) 	<ul style="list-style-type: none"> i. There should a mechanism of checking the revenues collected against revenues banked (bank reconciliation) ii. Whenever possible, there should be a separation of duties between staff collecting the revenue and the staff recording the revenue in the books of accounts iii. Whenever possible, there should be a specific vetted staff appointed for collection of revenue
Payment Process	<ul style="list-style-type: none"> i. Unauthorized payment for goods and services which have not been received. ii. Violation of the requirement of Public Procurement Act and its related regulations. iii. Payment may not be correctly recorded in the books of account. 	<ul style="list-style-type: none"> i. The management should make sure that payments are made only to goods and services inspected and accepted by the acceptance and inspection committee. ii. All purchases should adhere to the requirement of the procurement laws and regulations (e.g. through competitive quotations). iii. No one should be responsible for all facets of the payment cycle
Cash Management	<ul style="list-style-type: none"> i. Loss of cash for various reasons example, robberies, theft by staff. 	<ul style="list-style-type: none"> i. Adequate safeguard over access to cash by establishing secured facilities. ii. All cash collected should be banked promptly and the deposit slips should be reconciled to the bank statement, mainly using monthly bank reconciliation.
Bank Account Management	<ul style="list-style-type: none"> i. Possibility of unauthorized bank transactions. ii. Potential staff malpractice and fraud. iii. Untimely bank reconciliation that may leave opportunity for errors, misappropriation and fraud to go undetected. 	<ul style="list-style-type: none"> i. All banking transactions are accurate and authorized. ii. There should be independent checks and reconciliations. iii. All identified bank errors must be adjusted as soon as possible, legal actions should be taken where losses are discovered and action shall be taken to recover the loss. iv. Cheque drawn shall bear not less than two signatures. v. The bank account shall be used only for official transactions.
Stores Management	<ul style="list-style-type: none"> i. Theft or misappropriation by staff ii. Supplier may deliver substandard goods iii. Unauthorized movements of stores 	<ul style="list-style-type: none"> i. Stores should be safeguarded against theft, damage and misappropriation ii. Goods received from suppliers should be checked against specification , quantity and qualities iii. All movements of stores are authorized and iv. All inventories and assets should be recorded in the stores ledger

6.7 Auditing and Oversight

Auditing plays a crucial role in ensuring existence of effective internal controls in the facilities as discussed above. There are two key types of audit: external and internal audit.

6.7.1 External Audit

It is the type of audit which is conducted by an external audit body i.e. external to the LGA (including facility). External audit is generally an audit of financial statements normally conducted at the end of the year i.e. on annual basis. It is the examination by an independent third party of the financial statements of the LGA. It results in the publication of an independent opinion on whether or not those financial statements are relevant, accurate, complete, and fairly presented. It is normally, for the government institutions, carried out by the Controller and Auditor General (CAG).

6.7.2 Internal Audit

It is the type of audit which has its unit within the LGA. It is conducted on regular basis within the LGA (both at higher and lower levels). Internal audit is both an assurance and a consulting activity designed to add value and improve LGA's operations in the areas of risk management, control, and governance processes. It results in the production of periodic internal audit reports normally on quarterly basis. Internal auditors will plan and conduct their audits according to the annual risk-based audit plan as informed by the LGA's risk register.

6.7.3 Responsibility of Facility Management in Relation to Auditing

The key responsibility of the facility management in relation to auditing is to provide **adequate cooperation** to the auditors during audits and responding to audit queries raised by the auditors. Adequate cooperation entails, among other things, providing for audits complete and systematic facility records of accounts to the auditors.

SECTION 7

7 BANK RECONCILIATION

7.1 Introduction

Facilities maintain bank account into which they deposit cash and transfers received and from which all payments by check are made.

At the end of every month (or more frequently by arrangement), the facilities should request bank statements for reconciliation purposes. In principle, the balance shown in the bank statement should agree with the balance shown in the cash book. However, the two balances may differ due to the following reasons: -

- i. Check issued and recorded in the cash book but not presented to the bank for payment.
- ii. Bank charges and interest entered in the bank statement not entered in the cash book.
- iii. Errors in the cash book and /or the bank statement.
- iv. Check deposited but “referred to drawer” by the bank.
- v. Direct bank credit or direct bank debit.

To bring these items into account, a reconciliation statement need to be prepared monthly.

7.2 Reconciliation Procedures

This compares receipts and payments in the cash book (under bank column) against a bank statement.

The following procedures should be followed:

- i. Tick all items appearing on both the bank statement and cash book.
- ii. Identify all items which remain unticked.
- iii. For the un-ticked items, identify those items that are bank charges, omissions/errors and direct deposits in the bank that is not in the cash book.
 - If it is an omission, enter the transaction in the cash book.
 - If it is an error in recording, correct it accordingly.

- iv. Classify the remaining un-ticked items as unpresented cheque or uncredited deposits and adjust

the cash book and bank balance.

- v. Any unusual transaction in the bank statement should be investigated.

In the end, the bank reconciliation statement is prepared. The statement must be signed by both the responsible official who prepared it and the Head of facility (for checking and/or verification). All bank reconciliation statements must be systematically and properly filed. (See also **Template 8** for the format of Bank Reconciliation Statement).

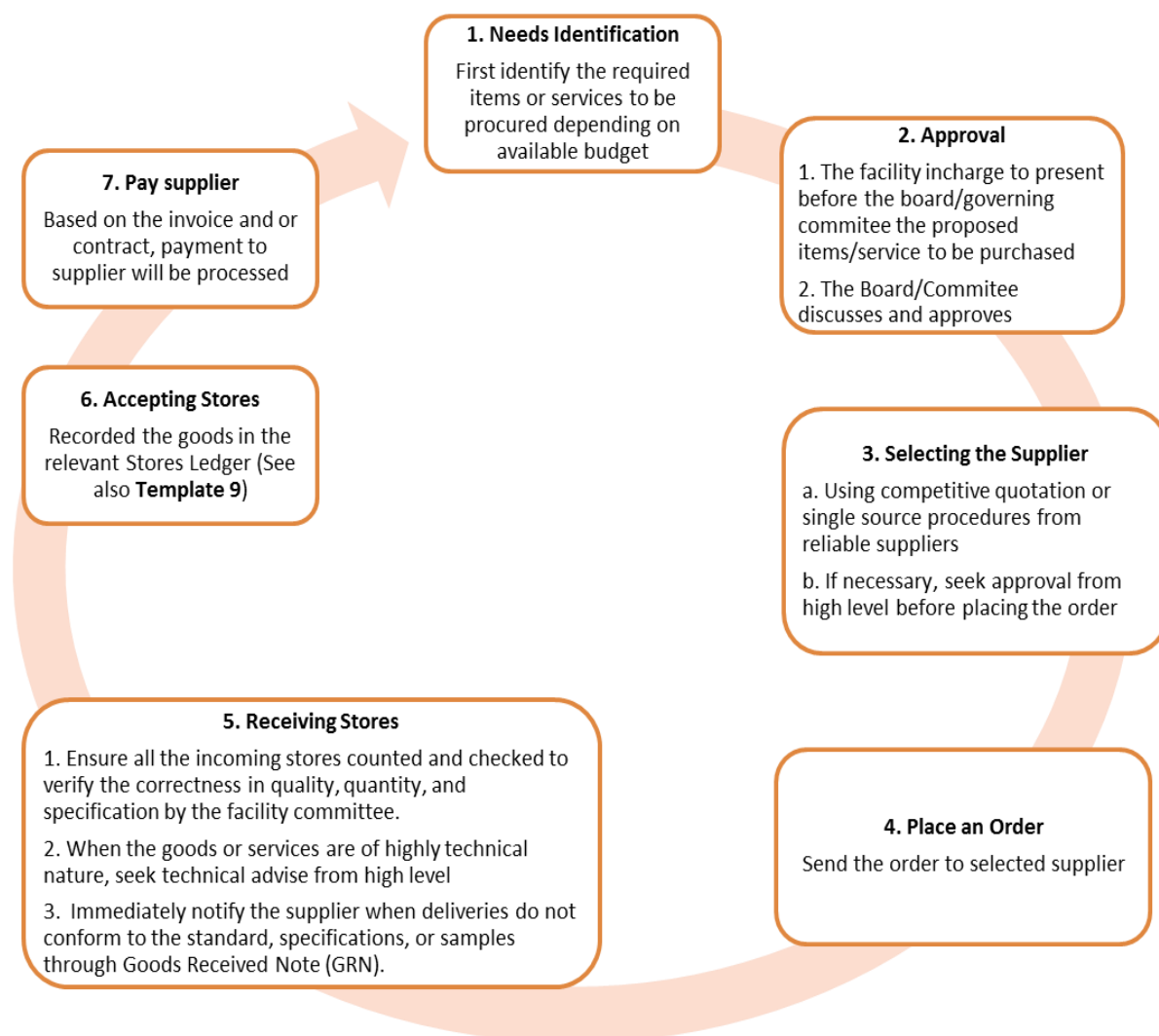
SECTION 8

8 PROCUREMENT PROCEDURES AND STORES MANAGEMENT

During the procurement of goods and services, the facility should adhere to or comply with the requirements of the Public Procurement Act and its related regulations as well as guideline and circulars issued by the government. There is also a Guideline on Public Procurement Procedures for LLGs (2017) issued by PPRA of which facilities are required to refer for detailed guidance.

8.1 Summary of procurement process at facility level

The whole procurement process at the facility should go through the following stages:



8.2 Custody of Stores

- i. Each Head of Facility is given the responsibility for care, custody and maintenance of stock levels for his or her facility.
- ii. Small items of high value are kept in a secure place.
- iii. Inflammable items are placed in a separate building from the general stores building, with adequate fire prevention and fighting measures.

8.3 Issue of Stores

- i. Authorized stores requisition forms are used when issuing stores (See also **Template 10** for the Stores Issue Voucher).
- ii. For each issue, the following are quoted: requisition number, the expenditure head and subhead and or item to which account is to be debited, and purpose to which the goods or material are to be used
- iii. Stores are issued only for the use of the facility activities.
- iv. Stores requisition forms should be raised by a user unit.
- v. Stores requisition forms should be authorized by the Head of the Facility.

8.4 Inventories

- i. A list should be kept that indicates inventories or a register which must contain adequate description of the assets (e.g. office furniture, equipment, machinery, plant etc)
- ii. Inventories are checked at least once annually to certify the correctness of the records.
- iii. No property of the facility is removed from facility premises other than on ordinary course of implementing the facility activities.
- iv. Code marks are maintained on all facility's non-current assets (fixed assets) which are also being recorded in the Fixed Asset Register (Template 6).

8.5 Annual Stock Taking

- At each end of the financial year, an annual stocktaking should be arranged.
- The annual stocktaking covers all stocks, inventories and properties of the facility.

SECTION 9

9 FINANCIAL REPORTS

9.1 Definition and Purpose of Financial Reports

Financial reports are formal records of the financial activities and position of a facility produced at a specified period e.g. monthly, quarterly or annually. Examples of financial reports include income and expenditure reports, bank reconciliation statements and statements of financial position.

The key purposes of financial reports are:

- i. Provide information about the source, allocation and uses of financial resources
- ii. Provide information that is useful to the Council Treasurer for preparation of LGA's financial statements.
- iii. Provide information to facility to enable it to improve its management and service delivery.

9.2 Frequency of Reporting

The frequency of reporting comprises of monthly/quarterly and end of year reports as explained below:

9.2.1 Monthly/Quarterly Reports

Each month/quarter, a facility should prepare the following reports:-

- i. **Income and Expenditure report**- This report shows the income of the facility earned or received and expenditure incurred during the month or quarter. The results are determined by subtracting total expenditure from total income which could result in either surplus (income exceeds expenditure) or deficit (expenditure exceeds income). (See also **Template 11**). The report must be signed by the preparer as well as head of facility and it must be submitted to the higher levels (Village/Mtaa, Ward and ultimately to the Council Treasurer (LGA)] not more than two weeks after the month or quarter end.
- ii. **Technical Performance report**. This is the physical report linked to **facilities** monthly/quarterly plan with clear indication of output/results achieved. (See also **Template 12**). The report must

be signed by the preparer as well as head of facility and it must be submitted to the higher levels (Village/Mtaa, Ward and ultimately to the Council Director along with the income and expenditure report i.e. not more than two weeks after the month or quarter end.

9.2.2 End of Year Reports

Immediately after the year end, the following reports should be prepared: -

- i. **Income and Expenditure report**–The contents of the report as discussed in the monthly/quarterly report. However, these are reported for the overall year. Requirements for signing and submission remain the same as that of the monthly/ quarterly report. (See also **Template 11**).
- ii. **Technical Performance report**– The contents of the report as discussed in the monthly/quarterly report. However, these are reported for the overall year. Requirements for signing and submission remain the same as that of the monthly/ quarterly report (See also **Template 12**).
- iii. **Year-end bank reconciliation report**– This is the report comparing receipts and payments as recorded in the facility’s cash book (bank column) and the items appearing in the bank statement issued by the bank as at the end of the year. The report must be signed by the preparer as well as the head of facility and it must be submitted to the higher levels (Village/Mtaa, Ward and ultimately to the Council Treasurer) not more than two weeks after the year end (**Template 8**).
- iv. **List and values of Assets, Stocks and Work in Progress**- The report shows the list and values of the facility’s assets, stocks and work in progress at the year end. The report must be submitted in the same time frame as those of other reports and up to the Council Treasurer at the LGA level. (See also **Template 13**).

ANNEXES

The Annexes section presents templates and formats of different tools to be used in financial accounting, financial management, procurement and stores procedures and reporting at the facility level. They are arranged according to the logical layout of the sections discussed in this manual.

Template 1: Cheque Payment Voucher

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE
REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT

PAYMENT VOUCHER

PV NO:

Payee's Name	
Payee's Code	
Address	
VRN	TIN:

Apply Date:	Invoice Number:	Terms of Payment
PO NO:	Invoice Date	Check Status
	Payment Method:	Posting Code:

Amount Payable: Tshs.....

Amount Payable in Words:.....

Payment in respect of:

To be paid from Bank Account:.....

ACCOUNTING ENTRIES

ACCOUNT CODE	ACCOUNT DESCRIPTION	DEBIT	CREDIT
	Totals		

Prepared by:
Name:.....
Designation.....
Signature.....
Date:

Approved and Authorized by:
Name:.....
Designation.....
Signature.....
Date:

Template 2: Cash Payment Voucher

THE UNITED REPUBLIC OF TANZANIA PRESIDENT'S OFFICE REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT

CASH PAYMENTS VOUCHER

To: (payee)		Voucher No :	
.....		Date :	

Item	Detailed payment explanation	Amount (TZS)	Expense code
	TOTAL		

Prepared by:	
Authorized by:	
Paid by:	
PV/Cheque No.: <small>(if this cash is paid from amount drawn from Bank)</small> Date:.....	

Template 3: Analytical Cash Book

General

CASH BOOK

[illegible]

Examples of the Analytical Cash Book sector wise.

a. Health

[illegible]

b. Education

[illegible]

Template 4: Control Book General

[illegible]

Examples of the Control Book sector wise

a. Education

[illegible]

b. Health

[illegible]

Template 5: Ledger Accounts
Ledger Book

HBF a/c				No	
Date	Description	Fund Source	Dr	Cr	Balance
05/01/2017		HBF	2000000		

Note: All Specific Ledgers are stored/place in General Ledger Account

Template 6: Fixed Asset Register

FIXED ASSETS REGISTER

Region name _____

Council code: _____

Council name _____

Ward code: _____

Ward name _____

Village code: _____

Village name _____

Facility code: _____

Facility Name: _____

Item No/ CODE.	Description	Quantity	Location	Status*	Remarks**

* Functioning or Not Functioning

** Any other remarks about the asset e.g. new item and/or date purchased.

Template 7: Imprest Register

[illegible]

Template 8: Format of Bank Reconciliation Statement

BANK RECONCILIATION STATEMENT

Region name_____

Council code: _____

Council name_____

Ward code: _____

Ward name_____

Village code: _____

Village name_____

Facility code: _____

Facility Name: _____

MONTH.....

YEAR.....

Balance as per facility cash book (Adjusted)

TZS xxxxx

Add: Unpresented Check TZS xxxxx

Total

TZS xxxxx

Less: Collection/revenue not yet deposited

TZS xxxxx

Balance as per bank statement (compare this balance with
the balance shown in the bank statement)**

TZS xxxxx

Note:

** If this balance is not equal to the balance shown in the bank statement, trace the difference

Prepared by: Responsible or appointed officer

Name

Signature

Designation.....

Date

Checked by: Facility in charge

Name

Signature

Designation.....

Date.....

Template 9: Stores Ledger

Material CodeMaximum QuantityFolio

Minimum Quantity Location

Date	Receipts				Issues				Stocks		
	G.R. No.	Quantity	Price	Amount	S.R. No.	Quantity	Price	Amount	Quantity	Price	Amount

NB:

1. Health Centre and Dispensary are required to keep a separate ledger for Medicine, Medical equipment and Supplies different from other Health Facility goods.
2. Health Centres and Dispensaries are required to conduct annual stock taking according to the Local government statutory requirements.

Template 10: Stores Issue Voucher

To:LOCAL STORES		S.F.7			
.....		REQUEST/ISSUEVOUCHER ALLOCATED STORES ONLY			
No.....					
<div style="border: 1px solid black; padding: 10px; width: fit-content; margin: 0 auto;"> <p>ISSUED</p> <p>No:.....</p> <p>Date:.....</p> </div>					
4/Name of Facility					
Not for use in connection with unallocated stores or local purchase					
Date:					
Description of Article	Unit	Quantity		Ledger folio	
		Required	Issued	Issuer	Receiver
REQUISITION OFFICER					
..... Signature	 Designation	 Station	
..... Signature	 Designation	 Station	
CERTIFIED					
A: Received in good order					
B: Taken charge in my stores ledger/for immediate use					
(Delete whichever is inapplicable)					
RECEIVING OFFICER					
..... Signature	 Designation	 Station	

Template 11: Monthly/Quarterly/Yearly Income and Expenditure Report

(a) General

Monthly/Quarterly/Yearly Income and Expenditure Report

Region name _____

Council code: _____

Council name _____

Ward code: _____

Ward name _____

Village code: _____

Village name _____

Facility code: _____

Facility Name: _____

Reporting Period: Month..... Quarter.....Year.....

SN	Account Name	Start Balance (TZS)	Closing Balance (TZS)
	Cash on hand		
	Cash at Bank		
	Unretired Imprest		
	Total		
SN	Income Items	Income Code	Amount (TZS)
	Total Income		XXXX
SN	Expenditure Items	Expenditure GFS Code	Amount (TZS)
	Total Expenditure		XXXX
	Income less Expenditure: Surplus or (Deficit)		XXXX

Prepared by: _____ Designation: _____ Date: _____

Authorised by: _____ Designation: _____ Date: _____

(b) Example- Case of Schools

School Monthly/Quarterly Financial Report					
Region name		Council code:			
Council name		Ward code:			
Village name		Village code:			
Village name		Facility code:			
Facility Name:					
Month of:		/Quarter:		Year:	
Account Name		Start	Cash In	Cash Out	End Balance
Cash on hand					
Cash at Bank					
Unretired Imprest					
Total					
Income		Income code	Amount		
Capitation					
OC					
Jimbo fund					
School Fees					
Own Source					
School Fees compensation					
Other Income (Specify)					
Other Income (Specify)					
Total Income					
Expense Description		Expense GFS	Amount		% of total revenue (Amount/25)
Administration					Should not exceed 35%
Watchman Salary					%
Water, Electricity, etc.					%
Academic					% (Should not be above 10%)
xxx					
Examination					
Other Allowances					
Transport					%
Bank Charges					%
Maintenance					% (should not be below 50%)
Decks					%
					%
Other expenses (Specify)					
Buildings repair/rehabilitation					%
Other expenses (Specify)					%
Other expenses (Specify)					%
Other expenses (Specify)					%
Total Expenses					
Income less Expenses : Surplus or (-Deficit) (TZS)					
Prepared by:		Designation:		Date	
Authorized by:		Designation:		Date	

(b) Example- Case of Health Facilities

Health Facility Monthly/Quarterly Financial Report					
Region name _____		Council code: _____			
Council name _____		Ward code: _____			
Ward name _____		Village code: _____			
Village name _____		Facility code: _____			
Facility Name: _____					
Month of _____		Quarter: _____		Year: _____	
Account Name		Start	Cash In	Cash Out	End Balance
Cash on hand					
Cash at Bank					
Unretired Imprest					
Total					
Income		Income code	Amount		
User Fees received					
CHF revenue received					
NHIF claims received					
Basket funds (DFF) received					
RBF received					
OC received					
Other Income received (Specify)					
Other Income received (Specify)					
Total Income					
Expense Description		Expense GFS	Amount		total revenue (Amount/25)
Watchman Salary					%
Water, Electricity, etc.					%
Allowances					% (Should not be above 10%)
Transport					%
Bank Charges					%
Medicines					% (should not be below 50%)
Medical supplies					%
Office supplies					%
Equipment					%
Maintenance					%
Buildings repair/rehabilitation					%
Other expenses (Specify)					%
Other expenses (Specify)					%
Other expenses (Specify)					%
Total Expenses					
Income less Expenses : Surplus or (-Deficit) (TZS)					
Prepared by: _____		Designation: _____		Date _____	
Authorized by: _____		Designation: _____		Date _____	

Template 12: Monthly/Quarterly/Yearly Technical Performance Report

Activity	Implementation status/ achievements (targets/indicators)	Reasons for not implementing/ completing	Constraints	Budget/ funds allocated	Funds spent	Balance

	Name	Title	Signature	Date
Prepared by:				
Authorised by:				

Template 13: List and Values of Assets, Stocks and Work in Progress

S/N	Item	No of items at beginning	Value at the beginning of year	No of items end of year	Value at the end of year	Financing source
Assets						
1	Computer					
2						
3						
Stock						
1						
2						
3						
4						
Work in progress						

Template 14: Budget Estimates (Revenue and Expenditure Costing)

REVENUE BUDGET/ESTIMATE					
Funding source	Input Code-GFS- Code	Input Description	Amount		
Cost Sharing	120107	User fee	20,000,000		
Basket fund	130123	basket fund	43,000,000		
Plan-Budget-Costing					
Target/Activity Code	Description	Input Code-GFS- Code	Input Description	Amount	Funding source
ABCDSSS	Train 6 in charges of health facilities for 3 days on Malaria prevention	221005	Allowance	180,000	
		220406	Stationery	12,000	
		220709	Conference charges	120,000	
		221002	Ticket	60,000	
		210503	Refreshment	180,000	

MANUAL ON FACILITY FINANCIAL ACCOUNTING AND REPORTING SYSTEM (FFARS)