

.....CATHOLIC DIOCESE
Diocesan Health Department

**Guidelines on Financial Management
for the smaller Health Units**

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Chapter 1: Introduction

Below, the financial procedures will be explained in detail. First the basic issues are presented, later some bookkeeping procedures are discussed and examples are given to explain the issues discussed before. The budget and the quarterly financial reports are important tools to assess and monitor the financial situation of the Health Unit. After this some related issues (like the Health Unit car and the role of the Management Committee) are discussed. Finally the audit-procedure is explained.

The texts below should allow any Health Unit to properly keep financial books. According to the charters a proper accountability is secured by maintenance of clear records of every financial transaction of the unit and a regular timely submission of the statutory financial and activity reports to the Diocesan Health Co-ordinator and the Director of Health Services.

Chapter 2: Receipt and Voucher Books

The basis of a proper financial system is that all income and all expenditure from the cash box and bank are correctly written down. All income should be written on a receipt in the receipt book and all expenditures should be written on a payment voucher in the payment voucher book.

Money should always be kept in a safe place. A safe place is a place where the only people who can take it are those who have permission, which means in practise: persons who are in possession of a key (either for a room or cash box).

The management could consider putting a sign on the wall, so that all patients know exactly to whom payments should be done and that they should get a receipt always.

2.1 Receipt book (see appendix 1)

Every time the Health Unit receives some money a receipt needs to be written. The receipt should indicate:

- 1) Date, that is: the date it was received
- 2) Received from, that is: from whom the money has been received (in case of patients' fees: name + patient number from the registration book),
- 3) the sum of shillings, that is: the amount in letters.
- 4) Being payment of, that is: for what reason it was paid (e.g. treatment)
- 5) Finally in the shaded area behind SHS: the amount in numbers
- 6) Signature, that is: the signature of the person receiving the money

Any standard receipt book can be used for the purpose. By using a carbon the writing will be copied on the page behind, that will remain in the receipt book. The original receipt will be given to the payee.

Always when writing the amount in letters:

- do not leave space at the beginning, so that no one can add any letters at the beginning.
- end the 'amount in letters' with the word 'only' (for example: ten thousands only)
- draw a solid line after the word only, till the end of the space
(for example: ten thousands only -----).

A receipt needs to be written always when money is received. That means when you receive fees from patients or when patients come to pay a debt. Also when you receive financial support from the Diocese, delegated funds from the District, and also when you receive income from hire of the car and possibly income from a donor.

2.2 Payment Voucher (Cheque and Cash payment voucher) (see appendix 3)

Every time a payment is done by the Health Unit (for salaries, allowances, drugs, equipment, petrol, break-tea, training, etc.) a voucher needs to be written. The voucher should indicate:

- 1) Name of health centre and title e.g XYZ Health Centre
- 2) Serial Number; this number is pre printed.
- 3) Date, that is the date of the payment
- 4) Payee, that is to whom the money is given
- 5) Qty; the quantity of the item
- 6) Particulars, that is the details of the payment. The payment can be on one item, or for several items at a go.
- 7) Code the account code used in the list of expenses.
- 8) Amount, that is the amount for each detail written under Particulars
- 9) Total, that is the total of the payments under Amount
- 10) Amount in words, that is the total amount written in letters, ending with the word 'only'.
- 11) Approved by, that is the place for the signature of the person approving the payment
- 12) Cashier, that the place for the signature of the person paying

13) Received by, that is the place for the person who receives the money

The payment should be recorded in the Cash Book and in the Ledger Book, that is the reason why under item 7 the code of the item should be written. This acts as a guide to which column it belongs in the cash book and finally the cash book should be cross referenced to the ledger page where it is extracted at the end of the day. This will help to avoid mistakes.

Without the signature for approval, the cashier is not authorised to pay the amount. The persons who can sign for approval are the members of the Core Team: the Health Unit In-Charge, the Health Unit Administrator and the Chairman of the Management Committee. It is enough if one of them signs. The person signing for approval and the person receiving the amount should be different. The cashier should not be one of Core Team members. It is important to have separate cheque and cash payment vouchers.

If you happen to make a mistake in writing the voucher, then cross the page with one big line, from below left side to the upper right side and write 'cancelled' along that line. Do not start messing around on the paper. Vouchers (and receipts as well) should be without any corrections. This would leave space for malpractice. If the voucher was initially written but then not paid for any reason, then cross the page with one big line (from below left to upper right corner), along which you indicate cancelled. Write below on the voucher the reason for the cancellation.

Chapter 3: Other Books: Cash, Bank, Ledger and Debtors

To know how much money should be in the cash box we need to bring all the receipts and the payment vouchers together. By writing all the receipts and payment vouchers in one book (the Cash Book), you will add all income to the balance and deduct all expenditure from the balance. The final balance is the amount that should be found in the cash box. The book where you bring all cash-transactions together (receipts + payment vouchers) is called the Cash Book (see 3.1 for more explanation). The Cash Book will make it possible to check at the end of the day whether the cash in the box is exactly the same as the balance reported in the books.

To know how much money is on your bank account you need to read the bank statements.

On the bank statements all the bank transactions are presented:

- the income (grants received, cash banked, interest received) and
- the expenditure (e.g. cash withdrawals, payments by cheque, ledger fees).

This information can be written in the Bank Book (see 3.2 for more information). The information in the Bank Book and the information on the bank statements should always be identical. When bank statements are received, the Bank Book will be adjusted. On the bank statements we do not find on which category you want to book the income and expenditures. That is up to you and that is exactly why you need a Bank Book: to indicate to which category the transactions belong.

By indicating the category of payment (like salaries, transport, medical goods, training, etc.) you can check whether your income and expenditure are in line with the budget (see par. 5). The budget indicates how much income is expected and from where (e.g. patients fees, district, car hire, donors) and indicates how much expenditure is planned and in which categories (e.g. salaries, medical and non-medical goods, administration costs, maintenance costs, training, etc.). The categories are called votes or ledgers. These words mean the same as category or groups. From now on we will talk about ledgers.

A ledger is just a category (for example: salaries). All the salary payments (from cash and also from bank) are written on the salaries ledger. By writing all income and expenditure in the proper ledger, we can study exactly how much we have paid/received on salaries, drugs, etc. This is necessary in order to know that we are spending/receiving according to the budget. If we would not check this we might easily end up overspending. Overspending means spending more than was planned in the budget. We use a Ledger Book (see par. 3.3 for more explanation) to bring all the income and all the expenditure together (from both the Cash Book and the Bank Book). In the Ledger Book we can find for each ledger separate (that is: each category, like transport, drugs, salaries, administration, patients fees, etc.) how much has been spend/received so far.

We also need to know who still owes money to the Health Unit and how much? For this we use a Debtors Book (see par. 3.4 for more explanation). In the Debtors Book we can see for each debtor separate how much this person or institution still owes the Health Unit. We can use the Book to send reminders to those who are delaying in payment. If debts are getting old then the chance of getting the money back becomes smaller. Therefore we need to actively follow-up debtors. Another reason to keep track of the debtors is that we need to know how much we still expect to receive to make a proper planning for our finances.

In case the Health Unit also receives money to be repaid (for example in case of a loan from the Parish or from the Health Office) then the transactions should be booked on a Creditors ledger (indicating the total amount still to be paid to others by the Health Unit) and in a Creditors Book (indicating how much each creditor still needs to receive). A Creditors Book indicates for each creditor separate how much the Health Unit still needs to pay.

Since the principles and procedures for Creditors are the same as for Debtors the Creditors ledger + book will not be separately discussed below.

Below the four books are explained in more detail.

3.1 Cash Book (see copy appendix 3)

At the end of the day all cash transactions (either payment or receipt of money) need to be written in a Cash Book. The information written in the Cash Book is taken from the receipts and the vouchers. There are several columns in the Cash Book:

- 1) Date: the date of payments or receipt.
- 2) Details: for what the money was paid or received.
- 3) Remarks /Folio: write the ledger page and the ledger name. The ledger page is the page from the Ledger Book (see par.3.3) where the payment belongs to.
- 4) Debit (Dr.) cash in receipt: if the cash was incoming
- 5) Credit (Cr.) cash out payments if Cash was paid out
- 6) Balance: the total remaining in cash will be calculated this total will have to be compared with the money in the cash box (safe) at the end of every day.

Analytical cash book (appendix 4 for format)

Sometimes if there are several categories of items to be paid for at once, then an analytical cash book can be put to use. All the cash receipts can be analysed on the left side while all the payments on the right hand side. At the end of each month the total of each column is posted to the ledger and a cross reference should be placed at the bottom of these analytical cash book to the ledger page just like the remarks (folio) above.

3.2 Bank Book

The Bank Book is exactly the same as the Cash Book, only this time only the bank transactions are written. At the end of each month all the bank transactions need to be written in the Bank Book. The information written in the Bank Book is taken from documents issued by the bank: like bank statements and drafts.

The bank statement will indicate the amounts withdrawn or banked, but also the ledger fees and transfers. The columns in the Bank Book are the same as those in the Cash Book:

- 1) Date: the date of payments or receipt.
- 2) Details: for what the cheque was paid or received.
- 3) Remarks /Folio: write the ledger page and the ledger name. The ledger page is the page from the Ledger Book (see par.3.3) where the payment belongs to.
- 4) Debit (Dr.) money or cheque deposited
- 5) Credit (Cr.) money withdrawn by cheque, bank slips or bank charge making payments out.
- 6) Balance: the total remaining in money will be calculated this total will have to be compared with the money in the bank statement at the end of every month on carrying out bank reconciliation.

Ledger fees and transfer costs can be booked under 'administration costs'.

If money that was received is meant for a specific activity (like training aids educators) then it can be booked on that ledger directly. If money that was received is meant for several activities then it can be booked on a special ledger (for example: grant from Cordaid).

If money from the bank account is transferred to another bank account as payment then it should be booked under the ledger for which the payment was done.

3.3 Ledger Book

Then there is the Ledger Book. All transactions (bank as well as cash, income as well as expenditure) will be booked in the Ledger Book on one of the ledgers.

Ledgers are categories/accounts like salaries, administration costs, drugs, training etc, as they are specified in the annual budget. The Ledger Book will allow you to follow how much has been spend on each budget-category and to see whether there is still money left on that specific account.

There is also a ledger for debtors and creditors. The ledger “debtors” is used for loans and patients who have not paid their fees fully. The ledger “creditors” is used for money that the Health Unit still needs to pay back. In the end we expect the total for the debtors to be 0. This would happen when all debts are paid to the Health Unit. Also we expect the total for the creditors to be 0 in the end. This happens when the Health Units has paid all its debts to others.

The columns in the Ledger Book are similar to those in the Cash Book and the Bank Book, but now the payments and receipts from cash and bank are written on specific pages where the transactions for a specific ledger are brought together. For example: all salary payments are written on a specific page and all transport costs are written on another page.

The balance of a specific ledger indicates how much has been spend (or received) on that ledger during this financial year. This amount can be used to make a financial overview (see par.6). By comparing the total amount spent on a ledger with the available budget (see par.5) you can study whether the financial situation is as expected or whether actions needs to be taken.

Each ledger takes a separate page in the Ledger Book. If the page is full then the next empty page is opened for that specific ledger. Each page in the Ledger Book has a page number. This page number is indicated in the Cash Book and the Bank Book to indicate where the transaction is booked.

The columns in the Ledger Book are the same as those in the Cash Book and the Bank Book:

1. Date: the date of payments or receipt.
2. Details: for what the cheque was paid or received.
3. Remarks /Folio: write the cash, bank book page where the payment or receipt originate from cross referencing to the page.
4. Debit (Dr.) Expenditure accounts
5. Credit (Cr.) Income revenue accounts.
6. Balance: Accumulated total at each point.

3.4 Debtors Book (+Creditors Book)

The columns in the Debtors Book are almost the same as in the Cash, Bank and Ledger Book. Column 2 is not there. This column normally gives the particulars of the payment, but for each person there is a separate page, so you do not need to write the particulars on each line. The other columns are the same as in the other Books.

The Debtors Book uses 1 page for each debtor. The Debtors Book is used every time someone incurs a debt (for example, pays only half of the fees and promises to pay the other half later) and every time someone pays back a debt or part of it.

The columns in the Debtors Book are:

1. Date: the date of payments or receipt.
2. Details: for what the cheque was paid or received.
3. Remarks /Folio: write the cash, bank book page where the payment or receipt originate from cross referencing to the page.
4. Debit (Dr.) Expenditure accounts
5. Credit (Cr.) Income revenue accounts.
6. Balance: Accumulated total at each point.

Above these columns you can indicate: the debtor’s name, village and patients number from the outpatients register, so that you are able to trace this person.

Chapter 4: Worked Examples

4.0 Introduction

Since we have now explained all the books involved we can look at some examples. After writing the receipt or the voucher the transaction always needs to be booked twice. Once to indicate where the payment was done from (in the Cash or analytical cash book or Bank Book) and another time to indicate (in the Ledger Book) to which group the transaction belongs (salaries, drugs, etc.). In case of debtors or creditors you even need to write a third time (in the Debtors Book or the Creditors Book).

4.1 Example of a booking in the Cash Book and the Ledger Book

Suppose, somebody went to town and bought some drugs, that person brings a receipt of this expenditure and would like a refund from the cashier. First you write a payment voucher which needs to be approved. After approval you can pay the person. At the end of the day you write all the payment vouchers in the Cash Book. Refer to example 1.

Example 1

CASH BOOK

page 6

Date	Details	Folio	Dr. Cash In	Cr. Cash out	Balance
1/4/20XX	Balance brought forward				540,000
17/4/20XX	Drugs bought by Tom	14		260,000	280,000

The information written in the Cash Book is taken from the payment voucher (that is: the date, the description and the amount). First there was 540.000/= in the cash box (safe) (this is just an example), but after the payment there is only 280.000/= left (see example 1). Furthermore, what is added (see example 1, under 'Folio') is that we will book the payment from the category Drugs on page 14 in the Ledger Book.

That means that now we can also write the same information in the Ledger Book on page 14 (see example 2). On the ledgers we keep track of how much is already paid. This means that we add (+) the amount paid. Because a higher amount in the ledger means that more is paid for that category.

In the Cash Book we keep track of how much money is left; so here we deduct (-) the amount paid. So, the thing you need to remember is that the booking in the Ledger Book is opposite to the booking in the Cash Book or Bank Book. What is written under Debit (+) in the Cash Book is written under Credit (-) in the Ledger Book and the other way around. The rest is the same.

Example 2

LEDGER BOOK

Drugs

page 14

Date	Details	Folio	Dr. Cash In	Cr. Cash out	Balance
2/4/20XX	Balance brought forward	BB 8	210,000		210,000
17/4/20XX	Drugs bought by Tom	CB 6	260,000		470,000

At first this opposite entry may seem confusing, but this is because the Cash Book and the Ledger Book serve different goals:

- how much money do we still have (Cash Book)
- how much money have we paid already (Ledger Book)

The more we have paid already (+), the less money we have left in cash (-).

Also note that under 'folio' (in example 2) in the Ledger Book we wrote 'Cash Book'. This means that the money was paid by Cash, not by Bank. The transaction can therefore also be found in the Cash Book.

4.2 Examples of booking of cash income in Cash Book and on a Ledger

4.2.1 Normal payment

Suppose, one day there is a patient (A) who pays her full fees (2.600/=). The patient will be given a receipt and at the end of the day the receipt will be written in the Cash Book (see example 3).

Example 3

CASH BOOK

page 6

Date	Details	Folio	Dr. Cash In	Cr. Cash out	Balance
1/4/20XX	Balance brought forward				540,000
17/4/20XX	Drugs bought by Tom	14		260,000	280,000
18/4/20XX	Patient A fees	13	2,600		282,600

The category is 'Patient Fees' (see under 'folio' in example 3), so the money is also written in the Ledger Book on the page for Patient Fees (see example 4).

Example 4

LEDGER BOOK

Patients Fees

page 13

Date	Details	Folio	Dr. Deduct	Cr. Add	Balance
18/4/20XX	Patient fees in cash	CB 6		2,600	2,600

The money was received, so it was debited (+) in the Cash Book (see example 3). Since booking in the Ledger Book is always opposite to booking in the Cash or Bank Book the amount has to be credited in the ledger (see example 4).

The column 'Balance' in a ledger can indicate the total expenditure on that ledger (for example on salaries, drugs, transport). The column Balance can also indicate the total income on that ledger (for example on patients' fees). This will not lead to confusion because on the ledger patients fees you only book the incoming fees from patients, and on the salaries ledger you only book the payment of the salaries.

4.2.2 Partial payment

Suppose a patient (B) comes for treatment and needs to pay 17.500/=. She cannot pay everything (only 10.000/= now) and she promises to pay the remaining sum (7.500/=) within one month. The patient will be given a receipt for the amount paid, and her remaining debt will also be written.

Example 5

CASH BOOK

page 6

Date	Details	Folio	Dr. Cash In	Cr. Cash out	Balance
1/4/20XX	Balance brought forward				540,000
17/4/20XX	Drugs bought by Tom	14		260,000	280,000
18/4/20XX	Patient A fees	13	2,600		282,600
19/4/20XX	Patient B fees	13	10,000		292,600

In the Cash Book (see example 5 above) we indicate what person B has paid and in which ledger it belongs (patients fees). Then, in the Ledger Book (see example 6 below) we write that some of the patients fees were paid in cash and some of the patients fees still have to be paid (see example 6, under 'Folio: Cash Book and Debtors'). Person B now has become a debtor.

Example 6 in the Ledger Book, page 13 Patients Fees

LEDGER BOOK

Patients fees

page13

Date	Details	Folio	Dr. Deduct	Cr. Add	Balance
18/4/20XX	Patient fees in cash	CB 6		2,600	2,600
19/4/20XX	Patient B fees in cash	CB 6		10,000	12,600
19/4/20XX	Patient B fees on credit	15		7,500	20,100

We keep a separate ledger called Debtors, so that we know each time, how much we still expect in total from all our debtors. On the Debtors Ledger we indicate under 'Remarks' (see example 7) that the debt is from the Patients Fees and that the transaction can also be found on page 13.

Example 7: in the Ledger Book, page 15 Debtors

Debtors

page15

Date	Details	Folio	Dr. Add	Cr. Deduct	Balance
1/4/20XX	Patient X fees on credit	13	20,000		20,000
19/4/20XX	Patient B fees on credit	13	7,500		27,500

In example 7 we can see that we still expect 7.500/= from all our debtors. The ledger Debtors shows who has paid or who has incurred a debt. It also keeps track of the total outstanding debt (in the column Balance). It does not indicate directly how much one specific debtor still has to pay. For this reason we keep a special Debtors Book, in which we keep one page for one person.

Every entrance in the Debtors Ledger is also booked in the Debtors Book, so that we can tell at any time how much each debtor still owes the Health Unit. The person in example 7 has a special page in the Debtors Book. The page number (in this case 2) is indicated in the Debtors Ledger in column 2 (Name/Number (page)).

Example 8 in Debtors Book, page 2

Name (B) / Village Bihuru

Number: April-nr 175

Date	Description	Amount	Paid	Balance	Remarks
19 April	still to pay	7.500	0/=	7.500/=	

4.2.3 Repayment of debt

Later when person B comes back to pay the remaining sum of 7.500/= this is booked in the Cash Book (see example 9), in the Ledger Book (Debtors ledger; see example 10)) and in the Debtors Book (see example 11).

Example 9: in Cash Book

CASH BOOK

page 6

Date	Details	Folio	Dr. Cash In	Cr. Cash out	Balance
1/4/20XX	Balance brought forward				540,000
17/4/20XX	Drugs bought by Tom	14		260,000	280,000
18/4/20XX	Patient A fees	13	2,600		282,600
19/4/20XX	Patient B fees	13	10,000		292,600
25/5/20XX	Paid outstanding fees	15	7,500		300,100

Example 10: in Ledger Book, page 15 Debtors

Debtors

page15

Date	Details	Folio	Dr. Add	Cr. Deduct	Balance
1/4/20XX	Patient X fees on credit	13	20,000		20,000
19/4/20XX	Patient B fees on credit	13	7,500		27,500
25/5/20XX	Paid outstanding fees	CB 6		7,500	20,000

In the Debtors Book we will add one line, this time indicating the repayment and the fact that the debt has been fully repaid (Balance: 0/=; see example 11).

Example 11: Debtors book page 43

Name (B) / Village Bihuru

Number: April-nr 175

Date	Description	Amount	Paid	Balance	Remarks
19/4/20XX	Still to pay	7.500/=	0/=	7.500/=	
25/5/20XX	Receipt No. 514		7.500/=	0/=	

4.3 Example of transfer from bank to cash

Suppose, 2 million shillings are collected from the bank account of the Health Unit and are brought to the cash box (safe).

First, to collect the 2 million a cheque needs to be written and signed by two of the three signatories of the Health Unit's bank account. When the 2 million is brought to the cash box (safe) a receipt needs to be written. Then, in the books the amount collected needs to be withdrawn from the balance in the Bank Book (see example 12) and needs to be added to the balance in the Cash Book (see example 13).

Example 12: BANK BOOK

Page 4

Date	Details	Folio	Dr. Cash In	Cr. Cash out	Balance
1/4/20XX	Balance brought forward				17,400,000
26/5/20XX	Cash withdrawal, cheque No.17745	CB 6		2,000,000	15,000,000

Example 13: CASH BOOK

Page 6

Date	Details	Folio	Dr. Cash In	Cr. Cash out	Balance
01/4/20XX	Balance brought forward				540,000
17/4/20XX	Drugs bought by Tom	14		260,000	280,000
18/4/20XX	Patient A fees	13	2,600		282,600
19/4/20XX	Patient B fees	13	10,000		292,600
25/5/20XX	Paid outstanding fees	15	7,500		300,100
26/5/20XX	Cash withdrawal, cheque No.17745	BB 4	2,000,000		2,300,100

4.4 Example of booking of a loan and the repayments and a salary advance

4.4.1 Loan for staff member

Suppose, a staff members requests a loan of 200.000 to be repaid in four monthly instalments of 50.000/=. First, of course, the loan will have to be approved. The Management Committee should decide on the loan policy, so that the Core Team members know which decisions they can take.

After the loan is approved (signature on payment voucher) the money is given. Later the repayments come in, step by step. Each time a receipt is written.

Example 14: CASH BOOK

Page 6

Date	Details	Folio	Dr. Cash In	Cr. Cash out	Balance
01/4/20XX	Balance brought forward				540,000
17/4/20XX	Drugs bought by Tom	14		260,000	280,000
18/4/20XX	Patient A fees	13	2,600		282,600
19/4/20XX	Patient B fees	13	10,000		292,600
25/5/20XX	Paid outstanding fees	15	7,500		300,100
26/5/20XX	Cash withdrawal, cheque No.17745	BB 4	2,000,000		2,300,100
01/06/20XX	Loan to staff X	15		200,000	2,100,100
1/07/20XX	Repayment of loan : staff x	15	50,000		2,150,100
1/08/20XX	Repayment of loan : staff x	15	50,000		2,200,100
1/09/20XX	Repayment of loan : staff x	15	50,000		2,250,100
1/10/20XX	Repayment of loan : staff x	15	50,000		2,300,100

The receipts are written in the Cash Book (see example 14), but also on the Debtors Ledger (see example 15).

Example 15: in the Ledger Book, page 15 Debtors¹

Debtors

Page 15

Date	Details	Folio	Dr. Add	Cr. Deduct	Balance
1/4/20XX	Patient X fees on credit	13	20,000		20,000
19/4/20XX	Patient B fees on credit	13	7,500		27,500
25/5/20XX	Paid outstanding fees	CB 6		7,500	20,000
01/06/20XX	Loan to staff X	CB 6	200,000		220,000
1/07/20XX	July repayment of loan : staff x	CB 6		50,000	170,000
1/08/20XX	August repayment of loan : staff x	CB 6		50,000	120,000
1/09/20XX	September repayment of loan : staff x	CB 6		50,000	70,000
1/10/20XX	October repayment of loan : staff x	CB 6		50,000	50,000

The column Balance on the Debtors page of the Ledger Book indicates the total of debts to the Health Unit. It does not show how much one person still needs to be pay. Therefore, these transactions are also written in the Debtors Book (see example 16).

Example 16: in the Debtors Book, page 44

Number: staff member

Name: Staff X

Date	Description	Amount	Paid	Balance	Remarks
01/06/20XX	Still to pay	200,000	0	200,000	To be recovered in 4 instalments July to October
1/07/20XX	Receipt No. 515		50,000	150,000	
1/08/20XX	Receipt No. 516		50,000	100,000	
1/09/20XX	Receipt No. 517		50,000	50,000	
1/10/20XX	Receipt No. 518		50,000	0	

4.4.2 salary advance for staff member.

Suppose a staff member has a monthly salary of 95.000/=. Half way during the month she asks for an advance of 40.000/=. After approval we book this payment in the Cash Book (see example 17) and in the Salaries ledger (see example 18). At the end of the month the remainder of the salary is paid.

¹ Each time an extra line with dots is added to indicate that time has passed in between the payments. A balance is added at the end of these lines, just as examples. The amounts do not have a specific meaning.

Example 17: In Cash Book page 6

Date	Details	Folio	Dr. Cash In	Cr. Cash out	Balance
01/4/20XX	Balance brought forward				540,000
17/4/20XX	Drugs bought by Tom	14		260,000	280,000
18/4/20XX	Patient A fees	13	2,600		282,600
19/4/20XX	Patient B fees	13	10,000		292,600
25/5/20XX	Paid outstanding fees	15	7,500		300,100
26/5/20XX	Cash withdrawal, cheque No.17745	BB 4	2,000,000		2,300,100
01/06/20XX	Loan to staff X	15		200,000	2,100,100
1/07/20XX	Repayment of loan : staff x	15	50,000		2,150,100
1/08/20XX	Repayment of loan : staff x	15	50,000		2,200,100
1/09/20XX	Repayment of loan : staff x	15	50,000		2,250,100
1/10/20XX	Repayment of loan : staff x	15	50,000		2,300,100
15/10/20XX	Salary advance for staff Y	16		40,000	2,260,100

Example 18: in the Ledger Book, page 16 Salaries

Salaries

page16

Date	Details	Folio	Dr. Add	Cr. Deduct	Balance
15/10/20XX	Salary advance for staff Y	CB6	40,000		40,000

If the advance would be above the monthly salary, then the advance should be booked as a loan (Cash Book, Debtors Ledger + Book).

For example, an advance is requested of 300.000/=-, to be repaid in 6 monthly instalments of 50.000/=- to be deducted from the monthly salary (which is 95.000/=-)

In the Cash Book we record the payment of the advance and loan at the end of the month the payment of the remainder of the salary (see example 15)

For advances; in the Ledger Book under Salaries (see example 19) we record, at the end of each month, the payment of the salary in two parts: the part that is actually paid and the part that is considered to be a repayment of the advance.

Example 19: in the Ledger Book, page 16 Salaries

Salaries

page16

Date	Details	Folio	Dr. Add	Cr. Deduct	Balance
15/10/20XX	Salary advance for staff Y	CB6	40,000		40,000
30/10/20XX	Net salary : Staff Y	CB6	55,000		95,000

4.5 Example of the recording of an advance for shopping, partially refunded and partially used for purchases. Suppose a person is asked to go and buy drugs. He is given 500.000/=- as an advance. The expected drug costs are 400.000/=-. The expected transport costs are 50.000/=-. So, we expect the person to bring back a balance of 50.000/=-.

First the 500.000/= needs to be approved (signature payment voucher). After payment the transaction can be booked in the Cash Book (see example 20). Since we do not know yet how the money will be spent exactly we book it in the suspense ledger.

Example 20: in the Cash Book page 6

Date	Details	Folio	Dr. Cash In	Cr. Cash out	Balance
01/4/20XX	Balance brought forward				540,000
17/4/20XX	Drugs bought by Tom	14		260,000	280,000
18/4/20XX	Patient A fees	13	2,600		282,600
19/4/20XX	Patient B fees	13	10,000		292,600
25/5/20XX	Paid outstanding fees	15	7,500		300,100
26/5/20XX	Cash withdrawal, cheque No.17745	BB 4	2,000,000		2,300,100
01/06/20XX	Loan to staff X	15		200,000	2,100,100
1/07/20XX	Repayment of loan : staff x	15	50,000		2,150,100
1/08/20XX	Repayment of loan : staff x	15	50,000		2,200,100
1/09/20XX	Repayment of loan : staff x	15	50,000		2,250,100
1/10/20XX	Repayment of loan : staff x	15	50,000		2,300,100
15/10/20XX	Salary advance for staff Y	16		40,000	2,260,100
16/10/20XX	Working advance to staff Z	17		500,000	1,760,100

Then later the person brings back the balance (which appeared to be only 41.000/=) and the receipts of the expenditures for drugs and transport costs. Now we now how to book the money, this means that we clear the suspense ledger.

Example 21: in suspense ledger page 17

Suspense Account

page17

Date	Details	Folio	Dr. Add	Cr. Deduct	Balance
16/10/20XX	Working advance to staff Z	CB6	500,000		500,000
19/10/20XX	Balance receipt No.520	CB6		41,000	459,000
19/10/20XX	Fuel UAA 820 2	18		47,000	412,000
19/10/20XX	Drugs from JMS	19		412,000	0

The receipts for fuel also need to be booked on the Fuel ledger (example 22) and the payment to JMS will be booked in the ledger for drugs (example 23). The balance is booked as cash income, which means that a receipt has to be written, which will be booked in Cash Book (see example 24).

Example 22: in Fuel Account page 18

Fuel Account

page18

Date	Details	Folio	Dr. Add	Cr. Deduct	Balance
19/10/20XX	Fuel UAA 820 2	17	47,000		47,000

Example 23: in Fuel Account page 19

Drugs Account

page19

Date	Details	Folio	Dr. Add	Cr. Deduct	Balance
19/10/20XX	Fuel UAA 820 2	17	412,000		412,000

Example 24: in cash book page 6

Date	Details	Folio	Dr. Cash In	Cr. Cash out	Balance
01/4/20XX	Balance brought forward				540,000
17/4/20XX	Drugs bought by Tom	14		260,000	280,000
18/4/20XX	Patient A fees	13	2,600		282,600
19/4/20XX	Patient B fees	13	10,000		292,600
25/5/20XX	Paid outstanding fees	15	7,500		300,100
26/5/20XX	Cash withdrawal, cheque No.17745	BB 4	2,000,000		2,300,100
01/06/20XX	Loan to staff X	15		200,000	2,100,100
1/07/20XX	Repayment of loan : staff x	15	50,000		2,150,100
1/08/20XX	Repayment of loan : staff x	15	50,000		2,200,100
1/09/20XX	Repayment of loan : staff x	15	50,000		2,250,100
1/10/20XX	Repayment of loan : staff x	15	50,000		2,300,100
15/10/20XX	Salary advance for staff Y	16		40,000	2,260,100
16/10/20XX	Working advance to staff Z	17		500,000	1,760,100
19/10/20XX	Advance accountability balance (receipt No.520)	17	41,000		1,801,100

As you can see, each time the amounts are booked twice:

- once on suspense account page 17, once on Fuel account page 18
- once on suspense account page 17 , once on drugs account page 19
- once on suspense account page 17, once on Cash account page 6

The suspense ledger is used because the money was given as an advance, and at that time it was not yet sure how it was going to be spent. If it is clear how much needs to be paid and for what purpose then you do not use the suspense ledger.

4.6 Example on using an analytical cash book (See format in appendix 4)

With an analytical cash book, using an open book, each page having more that 10 columns, all the above transactions can be reflected on two pages. On e page acting as the Debit / Cash in (Dr.) side and the other as the Credit /cash out (Cr.). Each in come and expense category occupies one column and at the end of the month, the columns are summed up and posted to the ledger.

Chapter 5: The budget

5.0 Introduction

The budget indicates the expected income and the planned expenditure. The Budget will have to be approved by the Management Committee. No expenditures beyond the approved budget are allowed, unless there is written permission from the Management Committee (indicating the amount to be overspend). Below an example of a budget is presented.

The Budget is the basis of the financial system. All the financial transactions can be evaluated in the light of the budget.

Period: July 20X1 – June 20X2

Income

	Budget 20X0-2001	Actual 20X0-2001	Budget 2001-2002
Patients Fees	3.000.000	3.300.000	4.000.000
Delegated Funds	1.000.000	600.000	1.500.000
	-----	-----	-----
Total	4.000.000	3.900.000	5.500.000

Expenditure

Salaries	1.900.000	1.900.000	2.500.000
Administration	600.000	550.000	750.000
Drugs	1.000.000	800.000	1.000.000
Outreach activities	500.000	550.000	1.250.000
	-----	-----	-----
Total	4.000.000	3.800.000	5.500.000

Comment on the budget

The total Income and total Expenditure should be similar in a budget. Suppose the expenditures are higher than the expected income, then the expenditures will have to be reduced.

If the Expected Income is higher than the Expected Expenditures, then a category Savings can be included under Expenditures to balance the Income and Expenditure. Of course also salaries could be increased or patients fees reduced. It is up to the Management Committee to plan for the finances of the Health Unit.

In principle 1) the budget and 2) actual income/expenditure of the previous year is taken as a starting point. Adjustments are made on the basis of the lessons learned and specific expectations for the coming year (e.g. more patients because of starting a laboratory).

Chapter 6: Financial Reports

During each meeting of the Management Committee the Health Unit Administrator will present the financial situation, that is: will comment on the actual income and expenditure per ledger (=vote/group) in relation to the budget.

Example of a financial overview to be presented to the Management Committee on their quarterly meetings.

Period: July-December 2001 = 6 months = 50.0%

Income

	Budget	Actual	Percentage (=Actual/Budget*100)
Patients Fees	4.000.000	2.000.000	50%
Delegated Funds	1.500.000	750.000	50%
	-----	-----	
Total	5.500.000	2.750.000	50%

Expenditure

Salaries	2.500.000	1.500.000	60%
Administration	750.000	500.000	66.7%
Drugs	1.000.000	750.000	75%
Outreach activities	1.250.000	0	0%
	-----	-----	
Total	5.500.000	2.750.000	50%

Comment on the financial overview

The column Actual is taken from the Ledger Book. In that book you can find the total expenditure or total income for each ledger (=category).

The Budget is made before the beginning of the Financial Year as has to be approved by the Management Committee.

The Percentage is simple calculated by dividing the amount under Actual with the amount under Budget times 100.

The example shows that after 6 months (=50% of the time) also 50% of the expected income is realised. Also the total expenditure is exactly 50%, so there is no balance, but also no debt.

However, the expenditure on drugs have been much higher then expected (75% in stead of 50%) and no outreach activities have been undertaken at all (0%), probably because of lack of funds. The Management Committee will have to study why the costs for drugs have gone up, so that a way can be found to start the outreach activities. Also the administration costs are higher then expected, just as the salaries. Some investigation is needed.

Chapter 7: Other Related Issues

7.1 Special Funds

Special income like Delegated Funds or support from the Diocesan Health Office for aids educators, orphans or outreach activities will have to be accounted for separately. The related income and expenditure should be included in the normal financial management of the Health Unit, preferably as specific ledgers.

7.2 No Receipts

Suppose, a payment is done by someone without receiving a receipt. Now the person comes to the cashier and requests repayment of the 1.500/= he/she had spend, e.g. on travelling with pick-ups when purchasing drugs. Since there are no receipts the person needs to write a letter explaining the expenditure(s) without receipt. If the expenditures are approved by any of the Core Team members, then that Core Team member will sign for approval on the payment voucher.

7.3 Car of the Health Unit

In case there is a car for the Health Unit a log book needs to be kept in the car. In the log book all trips should be recorded (the purpose of the trip, from where to where, the distance in kilometres, the driver, the person responsible and whether it is private or for the Health Unit).

All trips that were not approved beforehand by the Management Committee are considered private. Private trips need to be paid to the Health Unit. A price of at least 300/= per kilometre is advised, to cover the costs of fuel, licenses and repairs. The Management Committee should set the price for private use and should approve a list of trips that are included in the budget of the Health Unit. One person should be made responsible for organising the transport of the Health Unit. That person knows all the planned trips for the Health Unit and can therefore decide whether the car can be used for private trips.

7.4 Responsibilities Management Committee

The Management Committee should decide (and put in writing):

- on the budget for the coming financial year
- where the cash and financial books have to be kept during the day and during the night
- who is responsible for keeping the cash, writing the receipts and vouchers
- the price per kilometre for private trips
- the list of trips included in the budget of the Health Unit
- on the loan policy of the Health Unit
- on overspending of certain ledgers
- whether the quarterly financial overview indicates problems or a sound financial situation

7.5 Overview of Budget categories and related expenditures

Following the UCMB-format for budgets and accountability the following ledgers are considered appropriate:

Income, Delegated Funds
Income, Fees
Income, Other
Income, External Aid

Expenditure, Employment
Expenditure, Administration
Expenditure, Property Costs
Expenditure, Transport and Plant
Expenditure, Supplies and Services
Expenditure, Medical Goods and Drugs
Expenditure, Capital Costs
Expenditure, PHC
Expenditure, Training

An overview of examples of income and expenditures within each category is given below (the list is not exhaustive):

Income, Delegated Funds (specific funds received from the District)

Income from Fees (all income received from patients for the services rendered)

Income, Other (income from transport hire or other income generated from within the Health Unit)

Income, External Aid (support from EDF for a specific activity, support from Health Office for outreach/aids activities and for orphans support)

Employment (all costs of salary, allowances, etc):
salaries, break tea, leave allowance, staff medical treatment, meeting allowances, lunch allowances

Administration (office expenses, stationery, telecommunication, bank charges, etc.):
posted letters, reams of paper, photocopying, carbon, envelopes, medical forms, markers, pens, receipt book, files, table, license fees, bank charges, contribution Diocesan Health Office, contribution UCMB

Transport and plant (fuel for transport/generators, maintenance/repair of vehicle/generators):
transport to DMO, transport to purchase drugs, transport to AGM UCMB

Property costs (water, electricity, maintenance of buildings):
Electricity, water tap, main switch, metre box, cement water tap, repairs, ball valve, iron sheets, nails

Supplies and services (all non-medical supplies including small non medical equipment and maintenance of the same);
bulbs, dry cells, insecticide, toilet papers, broom, all types of soap, calendars, torch, compacts, rubber, water squeezer, dust bin, lamp

Medical goods and drugs (all drugs, medical sundries, laboratory sundries, etc):
kits, syringes, strapping, all types of drugs, blood pressure machine, electric centrifuge, stethoscope, bed, cradle

Capital costs (all new buildings and equipment of a value exceeding 1M Ush)

PHC (all costs of outreach activities)

Training (costs of scholarships and attendance of workshops/seminars, etc.)

Chapter 8: The Audit

After the request for a financial audit is done to the Diocesan Health Office a date will be set for the actual audit. This date will be communicated to the Health Unit at least one month before the audit. If the books are properly kept and the materials below are present then the audit of a Lower Level Health Unit will take one day. In case of problems it may take longer.

When the auditor comes he/she should be given:

- all the receipt books and voucher books
- all the Cash Book(s), Bank Book(s), Ledger Book(s) and Debtors Book(s)
- the monthly envelopes with all receipts received from others.
- The statement file (with all the documents from the bank)
- Any relevant additional documents (like letters from the Management Committee authorising overspending on a certain ledger)
- The approved budget by the Management Committee.
- A quiet room with a table, big enough to study the documents.

Any bribe, payment or benefit, suggested to the auditor will immediately lead to withdrawal of the accreditation and therefore of the benefits that go with the accreditation.

The auditor will check whether the books are properly kept, whether payments were authorised, whether overspending was authorised. He/she will advise where improvements are necessary. The conclusions of the audit will be put in a report with recommendations. The report and the recommendations will be discussed with the Management Committee in their next meeting. A copy of the report will go to the Diocesan Health Office.

During the next financial year the implementation of the previous recommendations will be taken as a starting point. If the same problems are found the next year (that means that nothing is done with the recommendations) then the Health Unit will get a warning. If the same problems are found in the year after the warning then the Health Unit will lose the accreditation, and therefore all the benefits going with the accreditation.

The Management Committee is therefore urged always to take recommendations from the audit extremely seriously and control their implementation.

The auditor will also make a balance sheet. The balance sheet will indicate on the one side the value of all the current and fixed assets, and on the other side the creditors. The difference is called “accumulated funds & assets” and this amount indicates the total value of the Health Unit.

**RECEIPT
XYZ HEALTH CENTRE**

Date: _____

No _____

Received From: _____

Description	No.	Unit cost	Amount
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Total Amount _____

Total Amount in words _____

CASH / Cheque/Draft Number _____ Cheque/Draft Date: _____

(tick what applies in case of cheque or draft fill number and date as stated on the document)

Signature Cashier _____

Serial Number: _____

Date: _____

Qty	Particulars	Code	Amount
	Total		

Total Amount in Words: _____

Prepared by: _____ Approved by: _____

Received: _____

Serial Number: _____

Date: _____

Qty	Particulars	Amount	Amount Code
	Total		

Total Amount in Words: _____

Cheque Number: _____ Bank Account Number: _____

Prepared by: _____ Authorised by: _____

Received by: _____

Cash Analysis Book (Analytical Cash Book)

[illegible]

