

# Diocese of Musoma Tanzania

## FINANCIAL MANAGEMENT POLICY & FINANCIAL PROCEDURES MANUAL

*April 12, 2018  
Conference Centre,  
Diocese of Musoma.*

## **LIST OF ABBREVIATIONS AND ACRONOMY.**

- PDD** -Planning and Development Directorate
- PPD** -Pastoral Planning Directorate
- USD** -United States Dollar
- TRA** - Tanzania Revenue Authority
- TZS** -Tanzania Shillings
- CQC** -Comparative Quotation Chart
- GRN** -Goods Received Note
- GAAS** -Generally Accepted Auditing

## FOREWARD

### Bishop preamble

***“For as in one body we have many parts, and all the parts do not have the same function, so we, though many, are one body in Christ and individually parts of one another. Since we have gifts that differ according to the grace given to us, let us exercise them: if prophecy, in proportion to the faith; if ministry, in ministering; if one is a teacher, in teaching; if one exhorts, in exhortation; if one contributes, in generosity; if one is over others, with diligence; if one does acts of mercy, with cheerfulness.”*** (Romans 12:4-8)

It is with great pleasure I bring this new document on the Financial Policies and Financial Procedures Manual to our ongoing discussion of finances within the Diocese of Musoma. We all know that the world is rapidly changing and there is greater scrutiny being used in regards to the management of money. We, in the Diocese, are a part of that discussion as we so generously receive money from our parishioners, parents of our students in our schools, patients in our health institutions as well as from donors within and outside of our diocese.

In today’s world the words used most often in regards to finances are transparency and accountability. These are words loaded with meaning which often determine whether or not we shall receive donations and payments in the future. If we account for our money in a clear, concise and forthright manner we are blessed abundantly. If we are secretive, unclear or do not report our transactions, we can be found lacking. It is with this in mind I asked a committee to research, discuss and write both a policy and a procedures manual for the entire diocese to adhere to beginning with this declaration.

There are many laws which we must follow in regards to finances. We have Canon Law of our church which clearly tells us that we must have Financial Committees, Financial Officers and Parish Committees to deal with all financial issues of the diocese. We have the Tanzanian Government Laws which we must also follow regarding taxation and funding to protect our nonprofit status as a church. We must answer to all of these clearly, transparently and with full accountability. We must balance all of these and comply with them.

Most of all, we must be clear with our parishioners and those who so generously give so that we can run this church of ours. They give from a point that is often from the *Widows Mite*. They give from their little so that we all can work and live together. It is truly a gift that they share and we must never be complacent or lacking in thanks for this gift. They are the foundation on which we all stand. I am so grateful for the generosity of our people.

Blessings on our community of faithful, our families and friends and our donors who so generously respond to our needs. Together we are building the Kingdom of God within the Diocese of Musoma.

+Michael Msonganzila  
BISHOP OF MUSOMA

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## **CHAPTER 1**

### **1.0 BACKGROUND INFORMATION OF THE DIOCESE OF MUSOMA.**

#### **1.1 TANZANIA COUNTRY OVERVIEW.**

Tanzania is currently among one of the few countries out of the 55 in Africa which has enjoyed peace and stability since independence in 1961 to date. The founding leadership worked hard to breakdown all forms of tribalism and established one unifying language-Swahili. However, this peace and stability has not been matched with actual transformation in the life of her people as regards to development. The Tanzanians, including those living in the Diocese of Musoma, are engulfed not only by material poverty but also by ideological poverty.

Poverty in Tanzania is predominantly associated with ignorance and the lack of capacity to use its own resources which are still in abundance and ensure the proceeds realized from those resources and elsewhere are properly managed. Socially the Tanzanians are intermingled by marriages and trade. Politically the country is a multiparty system forging together in one direction towards development, irrespective of different political ideologies.

#### **1.2 DIOCESE OF MUSOMA OVERVIEW.**

The Diocese of Musoma is a religious Catholic institution whose major functions are pastoral and development.

The Diocese is located in Mara Region, in the north of Tanzania along Lake Victoria and on the border between Kenya and Tanzania. The administrative districts include Musoma, Tarime, Butiama, Rorya and Serengeti. (According to the National census of 2012). The five districts are being inhabited by a population of 1.8 Million people which is equivalent to 3.6% of the whole population of Tanzania now recording more than 50 million people.

The diocese presently has 34 parishes (including 2 Quasi Parishes -those

which will eventually be made into full parishes). The pastoral arm of the diocese includes lay apostolate, liturgy committee, catechetical department, spiritual centers, ecumenism, peace and justice and vocations.

The Diocese has a strong component of development which is shown through the establishment of education and health institutions along with social service outreach for the vulnerable and those with disabilities. There are 30 educational institutions which include the following: 18 Pre & Primary, 6 Secondary, 1 Junior Seminary, 4 Vocational and 1 Catechetical Training Center.

The health institutions include 5 Dispensaries, 7 Health Centers and 1 Hospital. The social service outreach includes a home for children with disabilities (St. Justin's and the training center for these children RoseMiriam Dagg Center), shelter for children running from all forms of Gender Based Violence and children living on the streets (Jipe Moyo Center) and 3 charity homes for the most vulnerable and abandoned of the society (Kigera Etuma).

It has a land area of 19519 square Kilometers (2012 census) with an average of 50 people living in a square Kilometer or 5 people in a household. Its rainfall varies according to its major ecological zones ranging between 500mm in the low lands to 1200mm in the highlands.

According to ethnic groups the Diocese is inhabited by the following major ethnic groups:

- The Jita, Kwaya, Zanaki, Waluri, Isenye, Nata, Ikoma, Kurya, Luo, Wasimbiti, Wakabwa, Wakiroba and Ngoreme.
- All of these want to be recognized in their own identity and usually in contrast to one another. It is this contrast that is accelerating the animosity and hence insecurity around cattle rustling tradition. Polygamy is still very prevalent and is the determinant of social status and means of wealth distribution due to large family size. The farming systems in the Diocese are dictated by the two distinct

ecological zones. Harmful customs and traditions prevail within the diocese and include Female Genital Mutilation and child marriages.

The first Zone is the midlands which is a transition between the Lake shore and highlands covering 10,700 sq.km.

Cropping systems are dominated by coarse grain such as sorghum, maize and finger millet. Most of the cultivation is done by ox plows. The major problem they face is water for human consumption and livestock.

The second Zone is the highlands lying at an altitude of 1500 to 1800 metres above sea level. This covers an area of 508 sq.km. The area has a greatest agricultural potential because of its plentiful rainfall, fertile soil and good market potentiality of its agricultural products. Farmers in this area are cash crop oriented and perennials such as bananas, potatoes, and coffee are tending to replace traditional crops such as finger millet and sorghum. The problem facing those parts of the Diocese is the decreasing farm size and difficult in having extensive size of land and enough grass for their livestock to graze.



## **CHAPTER 2**

### **2.0 ORGANIZATION STRUCTURE.**

#### **2.1 VISION, MISSION AND CORE VALUES OF THE DIOCESE OF MUSOMA.**

**VISION:** Church in Diocese of Musoma stands to enable people to live responsibly in their full potential as intended by GOD.

**MISSION:** To empower all God's people to love and serve God with all their hearts, strength, mind, possessions and love others as we love ourselves.

#### **CORE VALUES:**

Hope

Peace and Justice

Love

Proper stewardship of human and environment

United and upholding diversity

#### **2.2 STRUCTURE**

The Diocesan Structure was adopted on March 10, 2016 under the direction of Rt. Rev. Bishop Michael Msonganzila at a diocesan conference. The structure outlines all of the diocesan positions and job descriptions for each one. It is based on both Canon Law and Civil Law and offers clear lines of authority and responsibility. The only job descriptions which will be included now are referenced for financial matters and we ask that you consult the Diocesan Structure document for full job descriptions.

Structure attached as Addendum.

## CHAPTER 3

### 3.0 INTRODUCTION TO A FINANCIAL POLICY AND PROCEDURES MANUAL

#### 3.1 Rationale/Purpose

There are two distinct parts of this new document. The first section is the policies which will govern the diocese in the years to come. These policies, once approved by the Bishop, are only able to be changed with His authority. These are the overall policies which the Diocese of Musoma will operate from as a whole. Some of these policies come to us through Canon Law and must be followed by the Diocese.

The second part of the document is the day to day procedures manual with which all parishes, departments, institutions of the diocese will operate for sound fiscal management. These are easily changed when the financial committee wishes to do so. Dates within the document can be easily updated and managed.

This document will be known as the ***Diocese of Musoma Financial Management Policy and Financial Procedures Manual***.

#### 3.2 Financial Management Policy

The Policy part of this document defines the ownership, establishment and management of the diocese properties along with financial leadership and strategies that need to be followed in carrying out the financial responsibilities of the diocese.

- This includes the policies established by Canon Law within which all dioceses must be regulated.
- Policies are not easily changed and can only be done by the authority of the Bishop.
- It is good practice to evaluate these policies after a 3 year period for any recommended changes or situations where review is necessary or a requirement for financial reasons or unless Bishop decides otherwise.

### **3.3 Procedures Manual**

The procedures manual will provide guidelines of the Financial Management practices basing on the general accounting procedure standards and systems.

The major purpose of the manual is to:

- Establish prudent procedures for good financial and administrative management and to facilitate the efficient, economical and effective discharge of the financial transactions of the Diocese of Musoma.
- It will provide an easy reference guide to policies and procedures governing the operations of the Diocese in relation to finance, programmers and administration.
- Procedures manuals can be updated as needed in order for up to the minute practices to be included. Reasons for this include change in government land law, donor preferences and technological advancements.

### **3.4 OBJECTIVES**

- To equip the Diocese with good financial guidelines and procedures.
- To have a clear financial management and control system.
- To create uniform/similar financial guidelines and procedures for use by the Diocese so that financial records are accurately recorded and put in safe custody and financial transactions to meet the requirements of the Diocese, donors and beneficiaries are followed.
- To produce suitable financial frame work in order to facilitate financial planning and operation of the Diocese.
- To train accounting personnel the appropriate financial procedures and guidelines so that they are conversant in day to day financial operations.
- To provide relevant and accurate information to the management, the donors and other right users of this information.
- To cultivate the spirit/sense of transparency and accountability.

## CHAPTER 4

### 4.0 Financial Policy of the Diocese of Musoma

#### 4.1 Establishment, Ownership and Management of all Diocese of Musoma properties in Mara Region.

The Diocese shall establish institutions for health, education, social services and other services at the discretion of the Bishop. All new institutions will be established at the discretion of the Bishop and with full compliance with the guiding principles of the Diocese taking into account registration procedures, modes of assessment and supervision. Apart from the above mentioned, there are also other properties owned by the Diocese which fall under this supervision and monitored by the financial committee.

##### 4.1.1 Establishment

The Diocese of Musoma has the right to obtain and maintain properties within Mara Region and outside of it through the Registered Trustees.

##### 4.4.2 Ownership

The owners of the properties of the Diocese of Musoma are the Registered Trustees. These people are appointed for a 5 year term by the Bishop, approved by the Government of Tanzania and are an authority decision for all properties within the Diocese of Musoma.

##### 4.1.3 Management

Management (day to day) is assigned by the Bishop to an individual or institution management who will follow up on all properties presently and there after owned by the Diocese and maintain good records of all properties, assets and liabilities of the diocese.

**POLICY:** *The Diocese of Musoma will maintain accurate records on all properties, assets and liabilities through daily management and this person or team will be answerable to the Bishop and Registered Trustees.*

#### Strategies

1. The Registered Trustees will be nominated by the Bishop with names sent to the Leadership of the Government of Tanzania for approval. They will serve a 5 year term.
2. An individual and/or team will be appointed by the Bishop to oversee the day to day management of all diocesan properties, assets and liabilities.
3. This individual and/or team is responsible to the Registered Trustees.

#### 4. 2 Financial Leadership

The financial leadership of a diocese is under the direct management of the Bishop. He is responsible for all transactions done financially by the diocese. At the same time, Canon Law must be followed for the overall norms of financial accountability. The Bishop is

obliged to establish a Financial Council who are freely chosen by him. This committee is not an advisory committee to be consulted at the discretion of the Bishop but a council with specific rights and duties according to Canon Law (c. 492, 493,494). This committee continues even if there is no Bishop presently leading the diocese. A highly qualified financial officer will be named by the Bishop to oversee the day to day management of diocesan finances.

#### **4.2.1 Financial Council**

The structure of the financial administration of a diocese calls for a Finance Council (c. 492) for the overall accountability at the diocesan level.

***POLICY:** A financial council must be established by the Bishop over which the Bishop or his delegate presides. Two of the most important responsibilities of this council are to prepare the annual budget and approving the annual finance report.*

#### **Strategies**

1. A financial council will be established by the Bishop which will include at least three members of the Christian faithful skilled in financial affairs as well as civil law. They must be of outstanding integrity.
2. No member of the Bishops family up to the fourth degree of consanguinity or affinity may be named to this council.
3. This council will prepare an annual budget for the diocese.
4. This council will approve the annual finance report.
5. They will be named for a five year term which is renewable one time.
6. The council members hold an ecclesiastical office in the curia and must make a promise of service and confidentiality in order to hold this position.

#### **4.2.2 Financial Officer**

A Financial Officer is named by the Bishop to administer the goods of the diocese under the authority of the Bishop. (c. 494)

***POLICY:** A financial officer will be named after consultation with the college of consulters and financial council who will carry out the stated policy of the diocese and control receipts and expenditures of the diocese.*

#### **Strategies**

1. The Bishop will name a financial officer who is of integrity, highly skilled in financial affairs and distinguished for honesty after consultation with the college of consulters and finance council.
2. This person will be named for a five year term which is renewable.
3. The role of the financial officer is to administer the goods of the diocese under the authority of the bishop in accordance with the budget determined by the finance council; from the income of the diocese the financial officer is to meet the

expenditures which the bishop or others deputized by the bishop have legitimately authorized.

4. Removal of this person can only be done due to a grave cause which has been assessed by the Bishop after consultation.

5. This position is in the diocesan office in the curia and the financial officer must make a promise of service and confidentiality in order to hold this position.

6. The financial officer does not make policy nor authorize expenditures but applies the diocesan financial policy and controls receipts and expenditures in accordance with proper authorization.

#### **4.2.3 Parish Financial Councils**

Parish Financial Councils are strongly encouraged (c. 537). The role of those selected is to aid the pastor in the administration of parish goods.

***POLICY:*** *A Parish Financial council is to be established within each diocesan parish. The role of the council is to assist the pastor of the parish in administering all of the parish goods.*

***POLICY:*** *All Diocesan institutions will establish a Financial Council.*

#### **Strategies**

1. Every parish will assign at least two consulters from the parish for this role.
2. Rules and regulations for these consulters will be determined by the Bishop along with the Financial Council.

#### **4.3 Implementation of the Financial Procedures Manual**

A Financial Procedures Manual has been written for the Diocese of Musoma. This document outlines the process for all accounting which is to be followed by all Departments, Parishes, Institutions and Projects with the Diocese of Musoma. The goal is for transparency and accountability for all entities operating under the diocese.

***POLICY:*** *All Departments, Parishes, Institutions and Projects will be held accountable for following the diocesan financial procedures as dictated in the Financial Procedures Manual.*

#### **Strategies**

1. The diocese will introduce the Finance Procedures Manual which will be under the direction of the Financial Council and Finance Officer.
2. Training will be offered for those in need of assistance in following this manual.

#### **4.4 Budgeting, Reporting, Supervision and Auditing**

Budgeting, reporting, supervision and auditing are sound financial practices which should

be followed by all departments, parishes, institutions, projects and income generating projects. It is in this way we have clear lines of communication and good practices in accountability and transparency. In the first Diocesan Synod (2012-2014) we spoke often of being a self reliant and self sustaining diocese. We also spoke of our responsibility to our employees and our catechists in order to have a just salary. This can only be done by following good practices in our financial matters and by holding our members responsible.

***POLICY:*** All Parishes, institution, departments and projects will have a financial committee to advise management as well as approve and submit all budgets for the parish or institution.

***POLICY:*** All parishes, institutions, departments and projects will prepare a budget which is submitted to the financial committee (board) for approval and then to the respective leadership.

***POLICY:*** All parishes, institutions, departments and projects will submit to their respective leadership a monthly report on finances.

***POLICY:*** All supervisors of education, health and social services will visit their respective institutions at least 2 times a year. Monitoring of finances is to be included in these visits.

***POLICY:*** All diocesan institutions, parishes, departments and projects will undergo internal auditing on a quarterly basis.

***POLICY:*** All diocesan institutions, parishes, departments and projects should have asset register and inventory books which are well maintained.

## **Strategies**

1. Financial Committees will be established for all parishes, departments, institutions and projects.
2. Budgets will be prepared on a yearly basis following the calendar year of January 1-December 31. These will be submitted to the financial committee and then to their respective leadership. These are then submitted to the Diocese before September 30 each year.
3. A monthly financial report will be submitted by all parishes, departments, institutions and projects to their respective leadership. These are then submitted to the Diocese on a quarterly basis before the 15<sup>th</sup> of the following month.
4. Supervision of all health, education and social services will be done at least 2 X per year with a financial check included during this supervision.
5. Internal auditing will be done for parishes, departments, institutions and projects on a quarterly basis and submitted to the financial council.

6. External auditing will be done at the diocesan level every year.

7. A six month review of budget will be done by each parish, institution and project half way through the budget year.

#### **4.5 Theology of financial resources**

The Diocese of Musoma is sustained through the generosity of our Catholic faithful and the sacrifices which they make as well as donors who give through their generosity. The diocese needs both the faithful and the donors in order to sustain itself and continue to operate. We strive to be a self sustaining, self reliant and self developing (Diocesan Synod 2012-2014) but we know that in reality we are still in need of outside support. We know that we must be accountable and transparent with our use of funds in order to maintain the highest standards possible. We also know that we must ask our faithful to be supportive of our diocesan parishes, institutions, departments and projects. They will only continue their generosity if we are open and clear with our use of money.

***POLICY:*** *Ongoing reflection to be done on the importance of accountability and transparency for all our institutions, departments, parishes and projects.*

#### **Strategies**

1. Reflection to be developed on the importance of accountability and transparency.
2. The Planning and Development Directorate (PDD) will continue to monitor and evaluate all donor funds which are used in the diocese for development and pastoral issues.
3. Implementation of other strategies in this policy will enable greater accountability of the usage of funds for both our donors and the Catholic faithful.



## CHAPTER 5

### 5. 1 Financial Procedures Manual

#### 5.1.1 Accounting Policies and Procedures.

- The purpose of the accounting policies and procedures is to define the policies on which the diocesan financial statements are presented, and the manner of their preparation.

#### **Accounting Basis.**

- The Diocese financial statements are prepared on a historical cost basis. By this, assets and liabilities may be shown at their historical cost, as if there had been no change in value since the date of acquisition.

#### **Income.**

- Income comprises services, grants from donors, and on any investments for supporting the mission of the diocese is permitted to make. Cash donations are recognized as income in the period in which it is received.

#### **Expenditure.**

- Expenditure comprises expenses incurred directly for programme related activities undertaken by the Diocese within a specific financial year. These are recognized and recorded when payments are made (i.e. when cash is disbursed).

#### **Fixed Assets and Depreciation.**

- Fixed Assets of the diocese are defined as tangible assets that have been acquired with the intention of being used on a continuing basis for a period exceeding one year. No depreciation is provided and the cost of fixed assets is charged to the income statement in the year of purchase of any organization.
- All assets whose price exceeds Tshs 5,000,000 acquired in the name of the church should be included in Dioceses asset register.
- Assets under this value should be monitored but it is not require that they are included in the register. For all fixed assets acquired in the name of the church valued at less than Tshs 5,000,000 should be listed in inventory books of accounts of that institution.
- The inventory will include a description of the item, date purchased, and the present location of the item. The inventory will be updated as items are purchased and at the financial year-end this will be kept by parish and will be custody by diocese.

### **Fixed Assets Tag Numbers.**

Fixed assets are assigned identification numbers. These are based on the asset class. The tag numbers and serial numbers of equipment are recorded in the fixed assets register. For motor vehicles, the registration number will be sufficient.

### **Currency Translation.**

The financial statements of Diocese are presented to Bishop at the end of church year. Transactions in United States dollars (US\$) or other currencies are translated into Tanzanian at the exchange rates prevailing at the date of the transactions. In some cases for practicality, an average exchange rate for the period is used.

### **Taxation.**

We must follow the government regulations and those departments with charitable works would be able to ask for VAT exemption.

### **Cash and cash equivalents.**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts will be included with borrowings in current liabilities.

## **5.1.2. Chart of Accounts.**

The Diocese will maintain a chart of accounts. This is a list of accounts indicating the use for each account, i.e. in which account a transaction is recorded. The Treasurer or departmental heads will approve the additional list.

## **5.1.3 Accounting Procedures.**

### **5.1.3.1 General Ledger.**

The key general ledger procedures are summarized as:

- Recording grants and other receipts
- Recording expenditure
- Recording other payments
- Extracting a monthly Trial Balance
- Preparing journals
- Preparing a year-end Trial Balance

The General Ledger Accounting System is designed to improve the timeliness and quality of information available management. Financial Information includes

information on assets, liabilities, revenue, funding and expenses.

The Chief Financial Officer of the parish, institution or project will be responsible for producing all final general ledger outputs. He/she will assist with accounting and report generation. Among the principal responsibilities are:

- Receipt and coding of all source of information into the general ledger
- Verification and input of the information concerning expenses, budget, funding, revenue, assets and liabilities
- Production and distribution of general ledger reports to budget holders and other interested parties.

The source of data for the general ledger system will be the other systems: budgeting, fixed assets, and cash office systems. This data should be used in the preparation of management and financial reports.

The General Ledger will have separate accounts for each budget line for each of the donors. This is referred to as separate cost centre and will make the preparation of donor specific financial statements easy.

The monthly postings to the general ledger are accrual based. If any errors are made or there is a need to make accounting entries that are not cash based, these entries are made on the basis of journals, which must indicate the reason for the journal and the accounts affected. The Chief Financial Officer will approve the journal.

#### **5.1.3.2 Cash Book Procedures.**

The key cashbook procedures are:

Recording receipts in the cashbook

Recording payments and transfers  
to petty cashbook

Recording receipts in the petty  
cashbook

Recording payments from  
vouchers to the cashbook Bank  
reconciliation

Other payments from petty cash

Replenishment of petty cash

All payments and receipts will be recorded in a cashbook. The Person in charge will ensure that:

- All cash received is properly accounted for. An official receipt will be issued for every amount of funds received. The receipt number will be recorded in the cash book or

petty cash book as appropriate;

- All cash received is banked intact in the respective bank accounts unless it is specified by the donor;
- There is separation of responsibility of handling the cash and that of recording;
- All cash transactions are properly captured by the general ledger system;
- All payments are properly verified and approved prior to payment. This will be done on payment requisition forms for cheque payments and petty cash vouchers for petty cash payments;
- All creditor payments are made by cheque;/TISS
- All vouchers and supporting documentation are properly stamped "paid" before cheques are dispatched;
- Unused cheques are kept safely;
- No blank cheques are signed;
- Cheques returned from the bank after payment are safely kept and marked indelibly or punched to ensure they cannot be reused;
- To the extent possible, there is separation of duties between staff handling the cheques and those recording the transactions; depending the will of person in charge all in all in order to make sure the accounting procedures are followed and
- Proper and timely bank reconciliations are prepared.

### **5.1.3.3 Bank Reconciliations.**

The key steps in preparing the monthly bank reconciliations are:

- i. Compare the bank statement and the cash book balance. Mark all items that are in both records. Check the bank statement itself also for accuracy of additions. For the unmarked items:
- ii. Record all bank charges into the cashbook.
- iii. Identify and record in the cashbook any other debits on the bank statement that are not in the cashbook. Record these debits in the cashbook.
- iv. Identify any credits on the bank statement that have not been recorded on the cashbook. Adjust the cashbook by recording these items in the cashbook.
- v. All reconciling items should be examined for genuineness and any unusual items investigated.

On completion of the above, prepare a reconciliation showing the following:

Balance per bank statement

**Less:** un-presented cheque

**Add:** outstanding lodgments and

Cash book balance

The person in charge will review and approve the bank reconciliation. The approved bank reconciliation will be filed in the bank statements file.

### **5.1.3.4 Fixed Assets Procedures.**

The purpose of the fixed assets procedures is to ensure:

- All assets are safeguarded by recording their details and monitoring their location and condition;
- All movements of fixed assets are accounted for in the financial statements; and
- The cost of fixed assets is recovered from donor grants appropriately

The procedures below provide guidance for maintenance of the asset register:

- Recording opening asset balances
- Updating the asset register for additions
- Updating the asset register for disposals
- Performing periodic physical counts

**5.1.3.5 Fixed Assets Register.**

- Obtain the listing of fixed assets donated by each donor during the year. Obtain the listing of fixed assets purchased during the year.
- Verify the existence of each item on the lists above. Assess the condition of the assets and their location. Assign asset tag numbers or a suitable reference number to each asset.
- Open an asset register and record individual assets in the register. Enter details as presented in the table following:

<b>Name &amp; description</b>	<b>Record the name and description of the asset</b>
<b>Cost</b>	Original purchase or value donated
<b>Supplier</b>	Record the source of the asset
<b>Purchase Ref</b>	Provide a reference to the procurement/ payment documents
<b>Date of Purchase</b>	Record the date of purchase
<b>Location</b>	Record the present location of the asset as determined by a physical check.
<b>Condition</b>	Record the present condition of the asset and any maintenance need.
<b>Name &amp; description</b>	Record the name and description of the asset
<b>Asset Number</b>	Record the asset number (tag number) where numbers are being assigned. In addition, record manufacturers' serial numbers

- The register will include the amount of annual depreciation and the cumulative amount of depreciation.
- The register will be updated as assets are purchased and at the financial year-end.

- Extract a list of opening asset values posted to the manual register and check that the totals agree with the initial listings.
- The person in charge will verify that the above instructions are followed.

## **5.2 Financial Procedures.**

### **5.2.1 Budgets.**

The organization/institution is responsible for preparing a one- year budget. The one-year budget reflecting the Diocese programmatic activities or parish programmatic activities will be prepared by the organization/institution financial committees and presented to the deanery meeting for discussion and advice. The Diocesan Financial Committee will approve and review the recommended one-year budget revenues, expenditures and cash flow.

This type of budget can be categorized into two; Budget for development projects, budget for recurrent activities normally based on sources of revenues thus Donor contribution and faithful contribution.

In this context the following policies are laid down for performance of Diocese of Musoma activities.

- All institutions/ organizations will have to submit to the Diocese of Musoma action plan, strategic plan, planning and Development Directorate and pastoral planning Directorate.
- All project proposals should pass through PDD and PPD before submission to donors for discussion, reviews and recommendation of the Bishop.
- Any expenditure of more than between 5,000,000-9,000,000 TSH not included in the annual budget must be authorized by the Financial committee of the diocese prior to the expenditure being incurred. Authorization is documented through a memorandum to the Trustees signed by the Chair.
- Any expenditure of more than 10,000,000 TSH not in the annual budget must be authorized by the Financial Committee of the diocese. Authorization is document through a memorandum signed by at least 60% of the financial committees.

### **5.2.2 Financial Support to Third Party's Activity.**

Any disbursement from Development funds / recurrent funds to third parties must be supported by budget, contract and inspection reports from consultant assigned. The contract and budget will provide the requirements for the disbursement and reporting. The addendum variation of the contract and reallocation of the budget will be determined or reviewed by the financial committee.

- a. Be determined in accordance with generally accepted accounting principles applicable to the Diocesan's daily operations;
- b. Not be included as a charge to other projects/programs in the current or prior period; and
- c. Be adequately documented.

#### **5.2.2.1 Payment Requisitions.**

Should any beneficiary require a payment for any purpose, a payment requisition must be completed and signed by the head of department / institution to approve the requisition. Once prepared, the cheque requisition and cheque must be signed by the two designated signatories to the account.

Payments by electronic funds transfer

- Two of the signatories to the cheque accounts must sign the bank application form for transfer of funds, write the expense's code account on the form, attach a voucher or invoice, and file a copy of both the signed form and the attached voucher or invoice as in the case of cheque requisitions.
- One of these signatories must be the Bishop unless he is unavailable, or the financial committees decides otherwise, or the transfer is made out to the Bishop.
- Payments by bank transfer will be made in the currency quoted in the invoice to be paid and the Diocese will pay all bank charges related to this form of payment.

No cheque will be issued unless a voucher or an invoice is attached to the requisition.

Cash cheques will be issued from the Diocese's cheque books only for petty cash purposes. Beneficiaries requiring cash will receive an uncrossed cheque in their name for which they will be responsible and accountable.



### **5.2.2.2 Cancelled Cheques.**

Cheques returned from the bank are filed with the bank statements file.

Cheques will be kept in a safe place at all times. The sequence of unused cheques should be checked regularly.

### **5.2.3 Bank Statements.**

Bank statements will be obtained from the bank at least on a monthly basis. The Treasurer will ensure that transactions on the bank statements are verified. Bank accounts will be reconciled monthly.

### **5.2.4 Petty cash.**

- Cash required for petty cash will be drawn from a cheque payable to the person controlling petty cash, that is, a member of the administrative staff.
- Petty cash requisition will include the relevant documents and accompanied by the reconciliation.
- The petty cash float will remain at the discretion of competent person and be checked monthly and signed off by the Treasurer. No reimbursement of petty cash will be made unless the petty cash account is in balance.
- The petty cash box will be kept in a safe place at all times with the key in a separate place.
- The Treasurer will ensure that a letter of indemnity is received from the administrative person when first receiving the cash.

#### **Restrictions on Petty Cash.**

No loans will be made to staff from petty cash.

No blank cheques will be issued or authorized at any time.

Cheques to reimburse petty cash will be written once a month.

## **5.2.5 Payroll.**

### **5.2.5.1 Payroll/Employee File.**

Each payroll file for each employee will include the following:

Employee Information form

Letter of application

Letter of appointment

Medical examination

Copy of contract

Staff identity card number

National citizen identity card

Social security registration number

Leave forms

Copy of qualifications

Copy of working and residential permit and copy of the passport for non citizen

### **5.2.5.2 Payment of Salaries.**

The payment of salaries will be managed by the Chief Financial Officer/Head of Department, institution. All employee information will be updated and approved by the 25th of every month to reflect the salaries to be paid. Employee information should include, but not be limited to, the following:

- Resignations with duly completed forms.
- New employee form.
- Leave forms.
- Over time sheet.

### **5.2.5.3 Payment Vouchers.**

Invoices or receipts must be obtained for all expenses or any payments in exceptional circumstances, vouchers are issued by the Chief Financial Officer or Head of Department when no invoice or receipt is available at the point of sale and the amount is less than 100,000 TSH. The voucher states the nature and amount of the expenses and is attached to the payment requisition.

#### **5.2.5.4 Payment of Accounts./Expenses**

- Accounts will be paid within 30 days.
- Accounts will generally be paid on the last day of the month.
- Claims or items must be submitted within one week of the expense being unless approved by the Financial Committee.
- Expenses will only be refunded against original documents.

#### **5.2.5.5 Deposits.**

#### **5.2.5.6 Donor Acknowledgements.**

Money transferred into the Diocesan accounts by donors will be acknowledged in writing.

#### **5.2.5.7 Per Diems, Refunds and Reimbursements.**

- The Diocese will provide a per diem to employees, in accordance to rates set by the Diocese. This will depend on place of accommodation in regard to; Municipality, City, Country etc...
- The Diocese will provide extra Duty to employees working above normal work hours.
- No reimbursement will be paid where the employee is attending a conference where meals are provided and the employee is being accommodated at the same venue as the conference.
- Reimbursement will be made to Treasurer where an expense has not been affected.
- Refunds will be made after certification of receipts or in any circumstances arise in regard to intended expenditure.

#### **5.2.5.8 Travel Procedures.**

The purpose of travel procedures is to ensure that:

- All travel, international or otherwise is adequately planned for in advance;
- All travel expenses are for adequately authorized travel on official business and are incurred at the correct rates.

- All travel advances are properly and fully accounted for before they are expensed.
- All donor requirements relating to travel are adhered to.

The Diocese will advance/reimburse employees/consultants for any pre-authorized expenses incurred in travelling on authorized travel, on official activities. All travel will receive prior approval.

Approval from the Director or Head of Department and will be communicated in writing to the Bishop or any other assigned authority.

Authorization of travel will only be given if the travel is budgeted. Unless reallocation of budget is made.

#### **5.2.5.9 Air travel.**

- The Diocese will cover the cost of an economy class air ticket for staff travelling within or outside Tanzania, where air travel is necessary.
- Staff members are required to book tickets through the office in advance to benefit from reduced rates.
- The Diocese will cover the costs of a return trip to and from the airport for staff as well as taxi fares.
- The Diocese will cover the cost of visas for staff traveling on official duties of the Diocese.

#### **5.2.5.10 Road Travel.**

Refunds per kilometre or for local taxi fares may be claimed in terms of the following:

- Staff members will be refunded at the agreed rate per kilometre for distances travelled in the course of their work with their own car. In such circumstances, staff must keep a log form detailing the date, destination, purpose and kilometres travelled in each instances.
- Refunds will be made monthly on submission of log forms. The annual rate per kilometer will be determined by market price. The transport cost between the employee's home and work place will be reasonably justified in writing where necessary.
- Staff members will be refunded for transport costs incurred during the course of their work with receipts or

bus tickets. The transport cost between the employee's home and work place will be reasonably justified in writing where necessary.

#### **5.2.5.11 Cash advances**

Cash advances may be approved when employees or Diocesan travel for emergence where circumstances arises.

- Where employees are given a cash advance, they will be given a copy of the voucher and be responsible for accounting for the funds.
- The requisition voucher must clearly state the purpose of the cash and be authorized by the Treasurer or Head of Department prior to the advancing of funds.
- The request must be accompanied by a budget justifying the needed cash.
- Receipts for money paid to participants must state the nature and amount of expenses paid, be signed by the participant and returned to the Treasurer or Head of Department to be filed with the cheque requisition and original voucher.

#### **5.2.5.12 Personal Telephone calls and Faxes.**

- Employees are expected to make use of the e-mail and fax mail as economically as is reasonably possible without reducing the quality of the work and relationships.
- From the office, employees are required to pay for personal calls.
- Any other official calls will be incurred by organization / institution office depending on the levels of communication.

### **5.3 Financial Reporting.**

#### **5.3.1 Purpose of Financial Reporting Procedures.**

The purpose of the financial reporting procedures is to define the type, content and frequency of reports.

The Organization /Institution is required to prepare the following types of financial reports:

- a. Financial reports to management and Financial Committee.
- b. Financial reports to donors.
- c. Statutory reports, for example, annual audited accounts reports especially in programs and projects.

Reports are prepared monthly, quarterly, semi-annually and annually depending on the needs of each category of users.

### **5.3.2 Financial Reports to Management and Financial Committee.**

In the absence of more detailed requirements from donors, the following reporting guidelines will apply:

- Monthly income and expenditure, and petty cash reports will be prepared by the Treasurer or Head of Department.
- Quarterly income and expenditure reports will be presented to the Deanery and submitted to the Financial Committee. These reports will include a financial and narrative.
- The income and expenditure reports consist of cumulative detailed reports on income and expenditure by budget line item quarterly showing the transactions for the current period separately, and also the cumulative expenditure to reporting date. The reports will include a comparison of actual income and expenditure against the budget for the period.

### **5.3.3 Annual Reports and Audit Requirements.**

- The Organization /Institution will be subject to the audit requirements indicated in the grant agreements. The Organization /Institution will also ensure that statutory audit requirements (i.e. requirements of the standard of audit) are complied with.
- For the audit to be carried out, the Organization /Institution will be required to prepare annual financial statements

The following requirements will be followed:

1. When an outside accountant is contracted for the purpose of preparing annual financial statements the contract must clearly indicate the responsibilities of the consultant as well as the staff, in the bookkeeping, accounting and financial statement preparation process.

2. The Organization /Institution will contract an independent auditor and the audit will be a financial audit performed in accordance with Generally Accepted Auditing Standards (GAAS). The audit may determine whether donor funds have been used in accordance with specific donor requirements and value for money.
3. The audit report will be submitted to donors within 30 days after the completion of the audit, but the audit should be completed no later than 6 months after the close of the organization's fiscal year end in December.

#### **5.3.4 Procurement of Goods and Services.**

The purpose of the procurement procedures is to ensure that:

- Purchases are made to the maximum extent possible on a practical, open and freely competitive basis
- The Organization /Institution obtains the maximum value for money on all its procurements of goods and services
- Procured goods and services are delivered in the correct quantity, quality and in a timely manner.

#### **5.3.5 Procurement Principles.**

The Organization /Institution will only incur expenses and charge donor grants if the payments are reasonable, allocable and allowable. The following is an explanation of these three terms:

- Reasonable: will mean those costs generally recognized as ordinary and necessary and would be incurred by a competent person in the conduct of normal business.
- Allocable costs: will mean those costs incurred specific to what has been approved and meet donor requirement. A cost must be beneficial to a donor directly or indirectly. Generally, this means that a cost must be incurred to perform activities agreed with the donor as spelt out in the budget.
- Allowable costs: will mean those costs that conform to any limitations of the grant.
- The Organization /Institution will have to establish a tender board committee for procurement purpose.

To be allowable under the general standards a cost must:

- a. Be reasonable in nature and amount. Generally a cost is considered

reasonable if it would have been incurred by a competent person in the circumstances surrounding the incurrence of the cost;

- b. Be necessary for the performance of the activities agreed upon with the donor;
- c. Be allocable (of benefit to the donor), directly or remotely;
- d. Be net of any applicable credits such as purchase discounts, rebates and so on;
- e. Conform to any limitations or exclusions in the grant;
- f. Be treated in the same fashion as costs incurred by the Organization /Institution with funds from other donors;
- g. Be accorded consistent treatment;
- h. Be determined in accordance with generally accepted accounting principles applicable to the Organization /Institution's daily operations;
- i. Not be included as a charge to other projects/programs in the current or prior period; and
- j. Be adequately documented.

The guiding principles to be applied in procurement of goods and services are as follows:

- **Competitive bidding:** The essence of this principle is that all persons have an unimpeded opportunity to bid and win. The market should be as broadly defined as possible. This calls for open advertisement in the appropriate media, e.g. local, national and in some instances even international publications if necessary, inviting quotations/tenders.
- **Transparency:** This means that processing of tenders should involve more than one person. Information on the job to be done should be readily available to all possible competitors. It also means that the basis of awarding tenders should be as logical and fair as possible.
- **Supremacy of the Tender Committee:** The final decision rests with the tender committee. This committee should thus have an unimpeded right to assess possible bidders and decide on the merits of each. Invitations to tender will have a general disclaimer not to be bound by any tender.

### **5.3.6 Persons/Parties excluded from competing for contracts:**

- No employee, officer or agent of Organization /Institution may participate in the selection, award or administration of a contract if a real or apparent conflict of interest would be involved.



- Any disciplinary actions to be taken against employees if in violation of these standards are enumerated in the schedule of misconduct and consequences.
- No contractor involved in developing or drafting specification requirements, statements of work or request for proposal may be considered for such procurement.
- The Financial Committee will review the applicable grant agreements to ensure application of the donor regulations regarding the persons to be excluded from competing for contracts.
- Strict secrecy should be observed by tender committee during the cause of tendering and selection.

### **5.3.7 Procurement Procedures.**

Procurements will be carried out using one of the following:

- a) Tendering: All goods and services valued at 10,000,000.00 TSH and more will be procured by tendering. The tender invitation must include complete, clear and accurate information on:

Responsibilities of the supplier and specifications of tasks or services required;

- i. Minimum qualifications and experience required.
- ii. Terms of service.
- iii. The Organization /Institution as the originator, giving full details of where and by when (date and time of bid closing) the offer must be submitted
- iv. Time frame for the proposed order, from issue of order to final delivery.

#### **b) Quotations**

Goods and services valued at less than 10,000,000 TSH will be procured through 3 quotations. The procedures are as follows:

- i. Obtain a list of known suppliers for the required goods or services;
- ii. Obtain quotations from at least 3 different suppliers from the list in (i) above;
- iii. Fill in the Comparative Quotation Chart (CQC) to analyze and provide justification to recommend a particular vendor;
- iv. In compiling the CQC in (iii) above, factors such as reliability,

previous satisfactory performance with the Organization /Institution, quality products/services, mode of payment and delivery schedules will be considered in addition to prices. The CQC must document clearly the criteria used to rank the quotations and the weights given to each criterion.

c) Approved supplier list

Goods and services valued at less than ...5,000,000.00. will be purchased after obtaining the approval of the Financial Committee and will be procured from a list of approved suppliers. The Organization /Institution will develop a list of reliable suppliers to expedite future purchases. This list will be developed using the procedures for quotations and reviewed every year to ensure the terms are still favorable to the Organization /Institution.

**5.3.8 Authorization of Procurement.**

- All procurements for contracts or goods not exceeding 5,000,000.00 TSH will be authorized by the person in charge of Organization / Institution.
- The Financial committee of the Diocese will approve all procurements for contracts or goods with a value exceeding 5,000,000.00 TSH before the order is issued.
- The Bishop will approve procurements for contracts or goods with a value exceeding 10,000,000.00 TSH.
- The Board of Trustee may approve procurements for contracts of goods valued more than 100,000,000 TSH as long as there is a record of budget availability.

**5.3.9 Procurement Process.**

The user department will determine the need for procurement based on the budgeted activities or goods to be purchased before tendering is done. Tenders will only be invited for budgeted major procurement. Budget availability will be indicated on the purchase order form before the form is authorized.

After confirmation that the proposed procurement is within the budget, the following activities will be done:

- i. Invitation for tenders/ quotations;
- ii. Consideration and awarding of tenders/quotations. This will involve the issue of a purchase order and in the case of services, terms of reference;
- iii. Signing of contract; and

- iv. Monitoring of contract performance against the terms of reference or in the case of goods/services comparison of goods/services received against purchase orders issued.

### **5.3.10 Documentation.**

- The competitive bidding process will be documented on the CQC.
  - This form must be signed by the Bishop after review of all the tenders and a person in charge will review the quotations obtained and in the case of goods or contracts exceeding 20,000,000 TSH all original quotations obtained must be attached to the CQC.
  - If any negotiations are carried out to modify the terms and specifications of the winning tender or quotations, the process and rationale must be documented.
  - All procurements for more than 10,000,000 TSH will be made on official order forms. These order forms will indicate the source of funds, confirm budget availability, and give the specification of the goods or services required. In the case of services, terms of reference will accompany the order. The goods specification and terms of reference must agree with those in the quotations or tenders. Agreed settlement terms must be documented on the purchase order forms.

### **5.3.11 Receiving.**

The Bishop/ personal in charge will appoint the inspection team whose function will be ensuring the following:

- The only goods or services that have been properly authorized and ordered are accepted from suppliers
- Goods or services accepted conform with specifications of quality and quantity
- Proper records are retained of goods and services received and accepted
- All relevant documents including delivery note, GRN,(Goods received note) for receiving of goods or services are prepared, filled and signed.

Following are the main procedures for receiving:

- a. Goods or services are procured through the issuing of a purchase order (and terms of reference in the case of services). Suppliers are informed that they must quote the order number when delivering goods and services.
- b. Goods or services are received by the authorized team. Goods delivered will be inspected for quality and quantity and for conformity with the purchase order before a supplier's delivery note is signed.
- c. Where goods are of a sophisticated nature, the user of the goods arranges to be present at the time of receiving the goods, so as to ensure that the quality, quantity and other specifications of the goods agree with the order.
- d. A record is made of the goods received, either by way of a goods received note or in a receiving register, with a reference to the authorized purchase order.
- e. When suppliers' invoices are received they are cross-referenced to the record of goods received.
- f. When the goods received are not in conformity with the order as regard to quality, quantity, or damages-The supplier will have to replace or receiving agent will have to deduct from payment or disagree with the order.

#### **5.4 GRANT PROCESS.**

It is the responsibility of PDD to coordinate all grants for development and pastoral issues from the beginning of preparation through to the final report. The process for this is as follows:

1. A person begins with a discussion with the Bishop on the nature of the proposal, receives the Bishop's approval and possible donors where this proposal could be sent.
2. A write up, outline, information and budget for the proposal is brought to PDD where it will be rewritten according to one of the many formats used by different donors. A budget and narrative will be fully developed with the person requesting the grant.
3. Donors are identified for possible submission.

4. PDD will write the Bishop's approval letter and submit to the Bishop for inclusion with the proposal.
5. Proposal with narrative, cover letter and budget is sent to a donor.
6. Responses will come to PDD and will be shared with the Bishop and applicant (Both negative and positive responses).
7. If a positive response, the diocesan treasurer will inform PDD of the bank advice slip and when the money arrived.
8. A process will be set up for distribution of the grant through PDD.
9. Each time money is requested the applicant will submit receipts, photographs, and an ongoing narrative to PDD before the next installment is designated. This will ensure transparency and accountability and allow PDD to monitor and evaluate the grant continuously.
10. At the end of the project all reports, receipts, narrative and photos will be submitted to PDD for final report writing. This is done together with the person receiving the grant.
11. A final report is sent to the donor with copies to the Bishop and to the one requesting the grant.
12. The donor will inform PDD whether or not all is satisfactory with the report and whether or not they are closing the project.

The basic reason for this process is that the Diocese of Musoma is fully accountable and transparent for all grants which are received for its work. Bishop's good name is on each one of these grants and therefore we need to both protect his name and make sure that we are responsible for appropriate use of money. If donor is happy with our reporting system, we have the future opportunities to request grants. If the Diocese has a bad name in the donor community, our funds are cut off.

## **5.5 RECOMMENDATIONS:**

- This document should be disseminated to all Diocesan institutional heads and given an opportunity to discuss for improvement of the document.
- All Diocesan institutions have to prepare annual budgets both development and recurrent.
- Training for accounting personnel working in the Diocesan institutions should be conducted before implementation of financial policy document.
- This document should be reviewed from time to time according to the changing of accounting procedures and guidelines.
- This document should be highly adhered to for smooth financial operations, transparency and proper accountability.

## **Chapter 6**

### **6.1 Addendum**

#### 6.1.1 Diocesan Structure

**.....END.....**