



LEGAL SERVICES FACILITY

Grantee Accounting Manual

November 2012

TABLE OF CONTENTS

1. INTRODUCTION
2. THE PURPOSE OF THE GRANTEE ACCOUNTING PROCEDURES
3. ROLES AND RESPONSIBILITIES OF PARTIES
4. ACCESSING THE GRANT FUNDS BY THE GRANTEE
5. DISBURSEMENT PROCEDURES AT LSF
6. ACCOUNTING
7. BOOK OF ACCOUNTS AND RELATED VOUCHERS
8. BUDGET MANAGEMENT
9. FINANCIAL REPORTING
10. MISMANAGEMENT OF FUNDS
11. CONCLUSION

ANNEXES

Annex 1: Budget.....	17
Annex 2: Work Plan.....	18
Annex 3: Request of Payment.....	19
Annex 4: Quarterly Financial Reporting.....	20
Annex 5: Payment Voucher.....	21
Annex 6: Project Cash Book.....	22
Annex 7: Journal Voucher.....	23
Annex 8: Bank Reconciliation.....	24
Annex 9: Deposit Voucher.....	25

1. INTRODUCTION

In July 2011 a development cooperation agreement, the Tanzania Governance Support Programme 2011-2015, was signed between the Governments of Tanzania and Denmark. Under the legal sector component of this agreement it was agreed to establish an independent legal aid basket fund in the name of Legal Services Facility (LSF).

Overall Objective of the LSF

Promoting and protecting human rights for all, particularly for poor women, children and men and the vulnerable, including people living with HIV/AIDS.

Specific Objective of the LSF

To establish a funding vehicle to provide grants fairly and efficiently according transparent criteria for the promotion of legal aid and paralegal organisations according to their proper objectives and strategies.

Outcomes, outputs and activities

The expected long term outcomes of the Legal Services Facility are:

- Legal aid and paralegal services enhanced in quality and quantity, covering all districts of the country, improving access to justice for the poor and vulnerable;
- Government responsibility for legal aid provision, incl. paralegals, formalised through legislation and institutionalised;
- Innovative approaches to legal services provision supported;
- Advocacy and legal skills of legal aid and paralegal service providers improved;
- Enhanced awareness about the role and importance of legal aid and paralegal services amongst public and private legal sector stakeholders.

LSF will be implemented through 3 interconnected clusters of activities:

- Grant making;
- Capacity building;
- Facilitation of and engagement in relevant policy dialogues and advocacy.

The LSF will support organizations that assist individuals, groups and communities to claim their rights redress grievances, and which protect fundamental human rights both on Zanzibar and Tanzania mainland.

For clarification of issues, the grantee is advised to contact LSF via e-mail (support@lsftz.org) or phone (+255-22-2781061). Frequently asked questions regarding grantee accounting will also be displayed on the LSF website (www.lsftz.org)

2. THE PURPOSE OF THE GRANTEE ACCOUNTING PROCEDURES

2.1 These procedures have been devised to record and present in a single document, a basic guide of accounting policies and procedures to be adopted by the grantees to account for the funds made available to them by Basket Fund Partners (BFPs) through LSF. These procedures are also meant to assist grantees to present an audit trail to support expenses related to the funds received from LSF, by:

- *Recording all financial transactions*
- *Limiting the use of grants to purposes for which they are approved*
- *Providing guidance to ensure financial management, accountability and reporting to the LSF Secretariat*
- *Recording, monitoring and controlling grants expenditure*
- *Improving the assurance of getting the desired outcomes out of the funding*
- *Protecting the interests of all stakeholders especially the grantors/donors, grantees and partner intermediaries*
- *Ensuring timely and accurate financial and management reporting to the LSF.*

2.2 An effort has been made to ensure that the procedures are not unnecessarily onerous without compromising the level of accountability required by the donors. These procedures have been developed specifically for the unique aspects of the LSF Basket Fund, and reinforce procedures already in place within the grantee's accounting system. They are therefore not exhaustive in themselves and only go to reinforce what is already in place.

Grantees must be committed to maintaining the highest standards of stewardship and accountability. It remains the responsibility of the grantee to ensure that the funds are utilised economically and efficiently for their intended purpose.

2.3. The ultimate goal of these accounting procedures is to ensure that all funds spent are properly authorized, recorded and supported with relevant documents, and to provide periodic information to LSF on the use of their funds.

All expenses and financial data should flow down the established internal lines of approval within the grantees' organisation and the financial reports should be appropriately reviewed and approved by the grantee's most senior management before being forwarded to LSF for review and subsequent onward reporting to LSF's supervisory institutions.

Likewise, all the payments should be initialled by a responsible official to evidence review.

3. ROLES AND RESPONSIBILITIES OF PARTIES

3.1. The responsibility of the Legal Services Facility as regards financial management shall be:

- The Finance Manager together with the Programme Officer-Legal Sector, shall review the grantee's **budget** (see **Annex 1**), **work plan** (see **Annex 2**) and **grant payment request** (see **Annex 3**) and shall approve as per agreed work plan biannually for large and medium size grants. Small grants shall have one work plan which will also be reviewed by the grants officer.
- The Finance Manager shall release funds to the grantee as per approved work-plan and budget.
- The Finance Manager shall provide monitoring and overall internal control supervision to the grantee to ensure that accurate reports and accountability are presented on time.
- The Finance Manager shall collect, review and in consultation with the concerned grantee, amend as appropriate, the quarterly financial reports.
- The Finance Manager shall review all documents submitted in support of expenditure.

3.2. Responsibilities of the grantee as regards financial management are:

- The Management of the grantee is responsible to ensure that all the guidelines in this manual are strictly adhered to. All income and expenditure shall be properly authorised, recorded and supported with third party documentation.
- The grantee shall prepare and submit six-monthly budgets and work plans and present these with their quarterly reports.
- The grantee shall maintain accounting books to record all receipts and all expenditure and supporting documentation to facilitate financial monitoring and control.
- The grantee shall carry out the activities as per agreed work plan.
- The grantee will assist the Grants Officer, the Finance Manager and auditors in the execution of their duties.
- The **quarterly financial reports** (see **Annex 5**) as specified in this manual shall be produced, reviewed and approved by the grantee Management and forwarded to the LSF in a timely manner as and when required (but no later than 15 days after every quarter). Recognized accounting software can be used to prepare the financial report. In case of absence of accounting software, excel may be used to produce report.
- The grantee shall ensure that all reports sent to the LSF have been reviewed and endorsed by the grantee's most senior Manager and any other authorised official.

4. ACCESSING THE GRANT FUNDS BY THE GRANTEE

4.1. After successful applicants have been awarded the grants and the grant contract has been signed by all relevant parties, the LSF Finance Manager shall make sure the following information is made available to the LSF Finance department.:

- a. Name of and address of the grantee;
- b. The grantee's Bank and the grantee's bank account number;
- c. A copy of the grant contract;
- d. Total amount of the grant allocated;
- e. The total period covered by the grant broken down on an annual basis;
- f. The work plan for that particular project;
- g. The payment schedule for the grant; and
- h. Any special terms and conditions that Finance Manager has to take note of.

4.2 The grantee shall then prepare a **grant payment request** (see **Annex 3**) and forward it to the Finance Manager who shall review it and take appropriate action to get the funds released from Bank.

- The standard grant payment model the LSF will use for grantees with 2 and 3 year grant contracts, is pre-financing following a 40% - 40% - 20% distribution based on the total grant amount.
- In each individual Grant Contract it is, however, to the discretion of the LSF to deviate from this standard model.
- When 80% of the pre-financed grant amount is exhausted, the grantee may prepare a Grant Payment Request accompanied by the proper documentation.
- For small, strategic grants which will have a duration of less than one year a grant payment model will be established in each grant contract.

5. DISBURSEMENT PROCEDURES AT THE LEGAL SERVICES FACILITY

5.1 A payment schedule shall be prepared for each grant. This schedule shall detail the content of and due date for each report the grantee is required to submit under the grant. In addition, the schedule shall specify the amount of pre-financing and the payment request procedures for each grant payment.

5.2 The payment schedule is agreed by the LSF and the grantee at the time of signing the grant contract, and is prepared pursuant to information provided by the evaluation committee and/or from the grant file. The payment schedule is mentioned in the grant contract.

5.3 No grants shall be made without a budget, work plan and payment schedule to guide the Finance Manager of LSF.

5.4 When a grant payment request is prepared, the LSF shall effect the release of funds following the process described in this manual and in the LSF Basket Fund Finance and Procurement Manual.

6. ACCOUNTING

6.1 Grantees will use the cash accounting basis.

6.2 A separate and valid bank account will be established and maintained into which funds from the LSF will be paid by cheque or transfer. Maintaining a separate bank account eases the administration of the project and helps ensure that LSF project funds are kept distinct from other projects.

6.3 There shall be a minimum of three signatories to the grantee bank. For a cheque to be valid a minimum of two signatures are required, one of which must be a principal signatory.

6.4 The grantee is responsible for controlling the expenditure in line with the contract agreement.

Receipts

6.5 Receipts will comprise of funds received from LSF and any interest earned from these funds. These will be recognised in the books in the period/month in which it is received. These will be considered as an advance to the grantee until it has been properly accounted for. LSF will reserve the right to request a refund if they consider that the funds were spent on activities not relating to the approved work plan.

Expenditure

6.6 Expenditure comprises of expenses incurred directly as a result of the grantee's activities relating to the approved work plan and must be supported by adequate, valid and accurate documentation which must be **originals**. Photocopies, faxes, unsigned letters, etc are not acceptable and may be disallowed. Expenses are recognised in the books when payment is made. A transaction is adequately supported if the documentation establishes that the expenditure was incurred, paid and in compliance with the contract agreement.

Advances

6.7 All advances to individuals for field activities or workshops must be cleared by the time accountabilities are submitted to LSF.

7. BOOK OF ACCOUNTS AND RELATED VOUCHERS

7.1 The grantee is required to keep a separate set of books of accounts specifically for LSF.

The grantee will keep the following financial records:

- a. **Payment vouchers** (see **Annex 6**): Payment vouchers will be used for all expenditures, and they should be approved and authorised by the appropriate persons.
- b. **Project Cashbook** (see **Annex 7**): All financial cash transactions for this project will be recorded in a separate project cashbook. The cash should be analysed along expenditure lines. All entries in the project cash book will be done following the sequence of the voucher numbers. Accounting software, where available, may be used to design a similar report.
- c. **Journal Voucher** (see **Annex 8**): A journal voucher will be used for clearing of advances to individuals in the cashbook. Each journal voucher needs to be supported by documents showing how the advance was utilised.
- d. **Deposit vouchers (see Annex 9)**: A deposit Voucher will be used to record receipt of funds in the books of accounts in form of cash, cheque or through bank..
- e. **Bank reconciliation** (see **Annex 10**): At the end of the month, the grantee will prepare a bank reconciliation with adequate explanation for all reconciling items.

At the end of every month the grantee shall follow the following steps in order to do a bank reconciliation.

- a. Obtain a bank statement of the grant bank account for the particular month from the Bank.
- b. The official responsible for bookkeeping and accounts shall check each entry in the cash book against the entries on the bank statement.
- c. That official shall also check whether the month-end balance shown on the bank statement reflects the balance in the grantee's cash book.
- d. If the two documents show different month-end balances, he/she shall proceed to take steps to reconcile the two.
- e. The reconciliation shall take into account the cheques drawn by the grantee but which have not yet been reflected on the bank statement. It will also take into account bank deposits that have not been reflected in the bank statement.
- f. The bank reconciliation shall include an investigation of all discrepancies that have been discovered.
- g. The reconciliation shall take into account any bank charges levied by the Bank during the relevant month. Documentation to back up these charges shall be obtained from the Bank.
- h. After the official responsible for bookkeeping and accounts has done the bank reconciliation, he/she shall present it to the senior management for review and endorsement.

- i. The grantee shall inform the bank in writing of any errors, discrepancies or omissions that the Bank is responsible for. The letter shall instruct the Bank to rectify those errors and/or discrepancies.
- j. A copy of the bank reconciliation, duly endorsed by the grantee's most senior Manager shall be sent to the Finance Manager at the LSF offices when submitting quarterly financial reports.

8. BUDGET MANAGEMENT

The LSF will always be available for consultation on how to manage the approved budget of the grantee. Managing the budget involves monitoring the over-and under-spending of the approved budget.

There are both **controllable** and **non-controllable** factors that will lead to either over- or under-spending of the budget.

The two main aspects of Budget Management are:

1. Controlling the factors which you have power over (e.g. overhead costs, slow implementation of activities, excess cash on hand, poor planning)
2. Predicting and assessing the impact of the non-controllable factors (e.g. changes in the market, changes in government policy)

Both over-spending and under-spending are areas of concern in project management. Both generally portray poor budget management.

The grantee's senior management is responsible to ensure that variances are within minimum acceptable levels.

Below are areas that require special attention from the grantee's senior management when implementing the grant.

Per Diems

8.1. These are payable to staff only where overnight stay away from home is necessary in order to cover for accommodation and meals costs. The amount paid should not exceed the standard agreed in the approved budget. Per diems are not payable if the staff is attending e.g. a training where full boarding and lodging is provided.

Transport Costs

8.2 All transport related costs should be supported by details of the journey undertaken.

Training and Workshops

8.3 The grantee undertaking trainings and workshops is expected to provide the following;

- **Attendance register:** An attendance register must be signed by all participants, facilitators and where relevant supervisors;
- **Accommodation costs:** Invoices from the centre / venues;

- **Transport costs:** The grantee will establish a travel allowance for all the trainees based on either distance or region, but within the overall budget. The trainees have to sign for their allowances, indicating the place they have travelled to and from. The payments must only reimburse attendees for actual cost of public transport to attend the function and must not include any element that could be considered fees or payment for services.
- **Training supplies:** These include resources such as paper, pens, books etc. Approved invoices and Goods Received Notes (GRNs) supporting these expenses will be required as well as details of quantities issued at the training session and that retained for the next workshop or training.
- **Hire of venue, meals and other related expenses charged by the hotel:** The grantee should obtain all the supporting receipts and vouchers detailing the charges incurred in relation to workshop such as hotel bills etc.
- **Honorarium:** Grantee personnel already receiving monthly salary payments are not entitled to receive additional fees in respect of facilitation, rapporteuring etc.

Office Costs

8.4. Supporting documents will be required for stationery and photocopying, and supplier invoices for items purchased and delivered.

8.5 Bank charges will be evidenced by debit advice from the Bank and bank statements.

8.6 Procurement of Goods and Services

Procurement Guidelines

Purpose of procurement of goods and services procedures

The purpose of procurement procedures is to ensure that;

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

Requirements

The guiding principles to be followed in the procurement of goods and services are as follows

1. **Competitive bidding:** The essence of this principle is that all persons have an opportunity to bid and win. The market should be defined as broadly as possible.
2. **Transparency:** 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 fair as possible.
3. **Supremacy of the tender committee:** The final decision rests with the tender committee. The committee should have a right to assess possible bidders and

decide on the merits of each. If a tender committee does not exist, the grantee should designate at least 3 people to be responsible for procurement decisions and all decisions should be documented

Persons/Parties excluded from competing for contracts

1. No employee, officer or agent or relative of the grant recipient should participate in the selection, award or administration of a contract if a real or apparent conflict of interest would be involved.
2. No contractor involved in developing or drafting specification requirements, statements of work should be considered for such procurement.

Procurements should be carried out using one of the following:

a. Tendering for goods and services

All tendering for goods and services of a value over TShs 30,000,000 (thirty million) shall be undertaken as recommended by and with involvement of the LSF.

All goods and services valued between TShs 15,000,000 (fifteen million Tanzania Shillings) and TShs 30,000,000 (thirty million Tanzania shillings) should be procured by tendering.

Before tendering is done, the most senior Manager should determine the need for procurement based on the budgeted activities. Tenders should only be invited for significant budgeted procurements.

After confirmation that the proposed procurement is within the approved budget, the following activities should be carried out:

- Invitation of tenders/quotations
- Consideration and awarding of tenders/quotations
- Signing of contract
- Monitoring of contract performance

The tender must include complete, clear and accurate information on:

- Responsibilities of contractor/specifications of tasks/type of service required.
- Minimum qualifications and experience required.
- Terms of service.
- Identification of the grant recipient as the originator, giving full details of where and by when (date and time of bid closing) the offer must be submitted.
- Time frame for the proposed order, from issue of order to final delivery.

b. Quotations

Goods and services valued at more than TShs 500,000 but less than TShs 15,000,000 should be procured through quotations. The procedures are as follows:

- Obtain a list of known suppliers for the required goods or services
- Obtain quotations from at least three different suppliers from the list above
- Analyse and document justification for recommending a particular vendor

- During analysis, in addition to prices, other factors such as reliability, previous satisfactory performance with the grant recipient, quality products/services and delivery schedules should be considered.

For procurement above TShs 1,000,000 a procurement committee of at least 3 members will be established from among the staff of the grantee. They will study the quotations and undertake a comparative analysis, which will be recorded.

The members of the committee will sign off on the decision made following the comparative analysis sheet and the documentation will be filed.

c. Direct Purchase

Goods and services valued at less than TShs 500,000 will be directly purchased after obtaining the approval of the proper authority. The grantee should develop a list of reliable suppliers to expedite future purchases.

8.7 Where goods and services are procured through business in which the grantee has a beneficial interest, this interest should be declared.

9 FINANCIAL REPORTING

9.1 Each grantee in receipt of funds from the LSF is required to provide the following financial reports and documents:

1. Covering Memo
 - Date of report and reporting period
 - Highlight significant balances, and explain what the accounts include.
 - Purchase of assets during the month.
2. Cash book which correctly balances off and reconcile to the bank statement, cash in hand and uncleared advances.
3. Copies of expenditure vouchers with supporting documents, originals should be maintained at the grantee's office and made available whenever required.
4. A quarterly activity and financial report.
5. Variance explanations for variances of $\pm 10\%$ if variance amount is Tshs 1m or greater. Variance explanations must correlate with the activity report. In addition, variance explanations must be brief and informative.

9.2 The timetable for reporting will be notified to individual grantees by LSF. The management of the grantee is held responsible for ensuring that the reporting schedule is adhered to. The grantee may risk being barred from receiving future funding in the event it fails to meet the reporting requirements.

9.3 Final Reports at the end of the project shall be comprehensive enough so as to give a true picture of how the project was implemented. The Finance Manager shall follow up all the unutilised funds and give a report to the Fund Manager giving the reasons why they were unutilised.

9.4. The grantee shall be required to have the accounts audited by an external auditor approved by the LSF and to submit the full audit report to the LSF at the close of project. Annual audits of will be conducted concurrently by following the audit schedule of the grantee.

9.4.1. The grantee will include the cost of auditing in the budget.

10. MISMANAGEMENT OF FUNDS

10.1 Mismanagement of funds shall constitute the occurrence of any of the following actions or mal practices

- a. Using grants for purposes other than those agreed in the contract
- b. Fraud and corruption
- c. Failure to adhere to the procedures in this manual
- d. Failing to give genuine third party documentation to support use of the funds
- e. Failing to account for any funds

10.2 When mismanagement of funds is suspected, the LSF will immediately intervene and investigate the implementation of the project accordingly.

10.3 The Legal Services Facility shall be fully informed of the situation and it may take action. Depending on the seriousness of the mismanagement, LSF shall take one or more of the following actions and communicate the decision to the grantee accordingly:

- a. Stop further grant payments until remedial action has been taken by the grantee
- b. Demand refund of all or part of the grant so far disbursed
- c. Take legal steps to redress the situation
- d. Take other disciplinary action

10.4 All financial information and documents of the grantees must be properly and securely stored for a period of at least 7 years from the date that the final reviews and audits were done. Within this period they shall be available to the LSF and their agents whenever required.

11. CONCLUSION

11.1 The credibility of any grantee receiving donor funds depends on how the organisation uses and accounts effectively and transparently for the funds.

11.2 It is imperative that funds are disbursed in accordance to the agreed budgets and in accordance with the approved procedures. Expenditure must be properly initiated, checked, approved and adequately supported by third party evidence.

11.3 Timely reporting is important to inspire LSF's confidence to continue supporting the funded activities but also to avoid inconveniences that might be caused by delays.

11.4 These accounting instructions have therefore been developed to help the grantee meet these objectives. Failure to adhere to the laid down guidelines may lead to disqualification of the grantee from further funding from Legal Services Facility.

11.5 It is emphasized that these instructions are not exhaustive in themselves, therefore are intended to reinforce procedures already in place within the grantees accounting system.

Annex 1: Budget

Budget

GRANTEE:		GRANTEE CODE:	
PROJECT TITLE:		PERIOD:	
Budget line Code	Component/Budget Line Description	Total Grant Allocation	Amount required for the period
	Total		

CERTIFICATION

The undersigned grantee hereby certifies that the request shown above is made in accordance with the agreement and that an appropriate refund will be made to the LSF in the event of any disallowances, and that information supporting disbursements will be available for audit when required

Date submitted:

Name:

Signature:

DECLARATION:

I do declare that the above is in consonance with the programme's work ethic and that it is certified by the named agency official.

Date

Name:

Designation:

Signature:

Annex 2: Work plan

Work Plan

Name of Grantee:.....

Grantee Code:.....

Project Title:.....

Year 1													
Activity	Month 1	2	3	4	5	6	7	8	9	10	11	12	Implementing body
Activity 1													
Activity 2													

Annex 3: Request for Payment

Request for Payment

[Date of the request for payment]

For the attention of
The Grants Officer
Legal Services Facility
P.O. Box 31480
Dar-es-salaam

Reference number/grantee code: ...
Title of the grant contract/project title: ...
Name and address of the grantee: ...
Request for payment number: ...
Period covered by the request for payment: ...

Dear Sir/Madam,

I hereby request (state whether initial *payment/payment of the balance*) under the Contract mentioned above.

The amount requested is
Please find attached the following supporting documents:

- *technical and financial interim report (for further pre-financing payments)*
- *final implementation report (for payment of the balance).*

The payment should be made to the following bank account: ...¹

Bank:.....
Branch:.....
Account No.....

Yours faithfully

¹ Give the account number shown on the financial identification form annexed to the Contract.

Annex 4: Quarterly Financial Reports

Quarterly Financial Reports

Name of
 Grantee Code:
 Project title:
 Date:

Code	Particulars	Budget	Actual	Variance %	
	Income				
	Total Income:				
	Expenditure				
	Total Expenditure:				
	Closing Balance				

Prepared by:

Date:

Authorised by:

Date:

Annex 5: Payment Voucher

Payment Voucher

Name of Grantee:.....

Grantee Code:.....

Project Title:.....

PAYMENT VOUCHER			No. 0001
.....		Date:	
Payee	Particulars	Amount in TShs	Budget Code
			Total
Cash/Cheque No.: (delete as applicable)		Prepared By:	
		Authorised By:	
		Received by <input style="width: 100px; height: 20px;" type="text"/>	
Attach invoices, receipts, or other paperwork to this voucher			

Annex 7: Journal Voucher

JOURNAL VOUCHER				
Voucher Number _____		Date: _____		
Ref. No.	Particulars	Budget Code	Debit (Payments) Tshs	Credit (Receipts) Tshs
Column Totals				
Prepared By: _____		Date: _____		
Authorised By: _____		Date: _____		

Annex 8: Bank Reconciliation

BANK RECONCILIATION FORM

Date:

Bank Statement Date:	Bank Statement Sheet Number:
-----------------------------	-------------------------------------

	Amount
Balance on bank statement	
Less payments in cashbook, not on statement (e.g. un-presented cheques)	
Total Deduction:	
Less receipts on statements not in cashbook (e.g. income received by Bank)	
Total Deduction:	
Plus payments on statements not in cashbook (e.g. bank charges)	
Total Addition:	
Plus receipts in cashbook not on statement (e.g. income not yet banked)	
Total Addition:	
Adjusted balance on the bank statement:	
Balance on cashbook:	

Prepared by:

Date:

Remarks:

Prepared by.....Signed.....Date.....

Authorised by.....Signed.....Date.....