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MANUAL

ON

FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM

FOR

PIPED WATER SUPPLIES

Prepared for Sida
by
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Preface

Manual No. 1, *Meter-Based Water Management System*, explained why we need to pay for water. It also discussed two of the most commonly found water charging methods in piped water supplies: flat rate and metered charges and indicated the comparative superiority of metered charging methods.

Manual No. 2, *Water Prices and Tariff Setting*, discussed how water prices and tariffs are set to meet the cost of providing water services at a piped supply.

This Manual No. 3, *Financial Management and Accounting Systems*, is aimed at improving financial record keeping and management of financial resources at the water supply. It is targeted at those persons, in a water supply, who perform and are responsible for accounting functions.

The manual has two basic purposes. One is to provide a comprehensive, but easily understood accounting system for water supplies, accompanied by all relevant model account codes, books and documents. The system provided is in such a form that it can readily be adopted by your water supply with few or minimum modifications.

Two, the manual also provides broad rules, regulations and controls governing receipt and use of funds at a water supply. In this connection, we hope that your water supply has already adopted an enabling constitution and bylaws which define the broad parameters of financial management, auditing, and responsibilities relating to accounting functions.

It is our hope that the manual will enable your supply to adopt the system suggested herein for improved records keeping, accounting and management of water financial resources.

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Manuals in this series

Manual No. 1	Meter-Based Water Management System
Manual No. 2	Water Prices and Tariff Setting
Manual No. 3	Financial Accounting System
Manual No. 4	Budgeting and Budgetary Controls



Chapter 1: Introduction

An Overview: Definitions and objectives

A water supply, like any other public organization, needs to maintain proper, accurate and up to date records and information on its financial transactions. A shop-keeper who does not keep proper and accurate records will one day wake up to find that the shop has no cash to replenish stocks. Members of a water supply need to know the financial health of their supply all the time to guarantee continuous, uninterrupted and adequate service.

This is only possible where a suitable system of recording financial transactions of the supply is in place. Accounting is a systematic process of recording, summarizing and analyzing events that have an impact on the financial status of an organization. Through the accounting process, reports are prepared and values monitored to show the financial condition and performance of the water supply. Proper accounts, like the results of a doctor's test, tell us about the state of health of our water supply.

This manual, provides

- a complete accounting system for use in a water supply, including account codes, books and documents,
- some regulations and controls governing receipt and use of funds in the water supply and a user's step by step instructions on the applications of the documents.

The objectives of the accounting system is to

- 1) provide facilities for an ordered recording of all financial events occurring at the water supply,
- 2) allow generation of accurate and comprehensive financial information on the provision of water services undertaken by the supply,
- 3) enable for full financial accounting of resources available to the supply,
- 4) facilitate proper financial administration and management of incomes and expenditures of the supply,
- 5) enable the management and members of the water supply to monitor, supervise and control the supply's financial operations and to make well informed decisions.

One of the important reasons for the introduction of this Financial Management and Accounting System, is to allow for the preparation of well-informed financial, technical and management reports for decision-making. Here, we give some indications of what reports are made possible by this system.



Financial Accounts. On the basis of records contained under this system, it will, henceforth, be possible to prepare a large number of financial accounts, the most important ones being:

- 1) Balance sheet to show the water supply's Financial position as at a particular point in time and the results of its operations for a given period of time.
- 2) Income and Expenditure Accounts ,
- 3) Revenue and Capital Reserves,
- 4) Detailed costs of providing water services.

Technical Reports. In so far as the Financial Accounting Systems will result in improved record-keeping of financial transactions, they will assist in the preparation of improved technical reports relating to Operations and Maintenance of the supply. The linkage between financial information and technical data gives the suggested system considerable strength.

Management Information: Financial Accounts and Technical information will make it possible to generate important information and statistics for use in the management of the water supply. *Central* to this management information will be the following :

- 1) possibilities of developing realistic Budgets,
- 2) budget management and controls,
- 3) possibilities of establishing realistic costs of water production and distribution,
- 4) assessing the revenue performance of the water supply;
- 5) chance of evaluating staff deployment and productivity,
- 6) enhancing managerial skills of the water supply committee, and,
- 7) most important, retaining members interest and awareness in the water supply, etc.

The Basic Structure of the Accounting System

The suggested Financial Accounting System comprises three basic components:

- 1) A Schedule of Accounts,
- 2) Documents and Records books,
- 3) Clerical and Accounting Routines for the application of the Schedule of Accounts, documents and record books.

It is important to realize that the system presented, will exist and operate within your water supply, within your rules and procedures and among your members who have definite and, not necessarily harmonious, water interests. Different parts of the system will be operated by different members of staff and committee members. But, for the system to work, all parts need to support each other. *The success of the system will also depend on the extent to which it is adhered to and rigorously enforced.*

The following chapters, will address themselves to each of the three components of the system..

Chapter 2: The Schedule or Chart of Accounts Codes

The Schedule of Accounts Codes is the building structure of the accounting system. The Schedule is a systematic listing and ordering of the principal financial categories under which the different transactions of the organization are grouped. It is essential that the Schedule is comprehensive and all-inclusive. Comprehensiveness is necessary to *ensure that all financial transactions are included* in the accounting process as well as for establishment of adequate controls. Since the Schedule is an orderly listing of main financial groupings, it is also necessary that it be sufficiently flexible to accommodate additional groups should experience so demand. For ease in referencing and analysis, the different account groupings are normally assigned Code Numbers.

There are normally three sets of accounts codes: income accounts codes, expenditure accounts codes and balance sheet accounts codes which are discussed and their uses described below.

The following basic code numbers have been assigned to each of the principal financial categories, income and expenditure.

- (01) represents income,
- (02) represents expenditure, and,

Balance sheet accounts have the following additional account codes

- (03) represents assets.
- (04) represents liabilities,
- (05) reserves.

In this regard, **01-100** represents income from water rates. Under each account code, more detailed specifications have been provided to allow for full accounting or extension. For instance, account code **01-100-Water Rates-** has been extended as follows:

Water rates	01-100-1
Meter rent	01-100-2
Reconnection fee	01-100-3

to allow meter rent and reconnection fees to be separately identified within the broader water rates income category.

The accounts schedules and codes provided below are many. Their large number reflects the different categories in various schemes throughout the country. The large number of accounts and account codes should not cause undue worry. In reality, the codes and formats suggested below are simple illustrative classifications. The individual water supply may adopt them or use the format to create their own codes. Each supply should adopt those codes it considers relevant for its case. But, in making such a decision, it should seek the opinion of a person qualified in accounts. Similarly, the system may require to be revised or updated. The Water Supply will need the opinion of a qualified accountant to advise on such matters.

Income Accounts Codes

The principal business of an operating water supply is to provide its members with water. Sale of water and related water services constitute, therefore, the main stock-in-trade (main or only commodity) for a water supply providing incomes, revenues and finances.

- 1) **Water Rate** [01-100-1]
This account will be used for accounting for all income generated from water sales to consumers.
- 2) **Meter Rent** [01-100-2]
This account will be used for accounting for the monthly charges and payments by the Consumer for use of the meter installed. This fee is not chargeable in cases where the consumers own the water meters.
- 3) **Re-connection Fee** [01-100-3]
This account will be used for accounting for penalties imposed to defaulters who have been disconnected and are desirous of resumption of service.
- 4) **Standing charges** (01-150)
This account will be used for all amounts collected in form of standing charges.
- 5) **Consumer Repair Charges** [01-200-1]
This account will be used for payments which consumers may make for services related to repair of installations and fittings beyond the meter point.
- 6) **Services Rendered to other water supplies** [01-200-2]
This account will be used for accounting for charges and payments for services (except water sales) rendered to other water supplies.
- 7) **Miscellaneous Charges** [01-360-1]
This account will be used for crediting any income that has not been provided with its own distinct account.
- 8) **Water Deposits** [01-300-1]
This account will be used for accounting for all consumer Water Deposits. Strictly, the Deposit amount is not income to the supply as the deposit remains the property of the consumer as long as the consumer retains an account with the water supply. The deposit is refundable upon the consumer ceasing to be an account holder with the water supply and after clearing all obligations to the water supply.

Deposit collections should be banked separately as they do not constitute assets for the water supply



- 9) **Interest on Bank Deposits** [01-300-2]
Banked Deposits earn interest which is income to the Supply. This account will be used for accounting for interest earnings arising from any cash balances held or invested in the banks.
- 10) **Transfer of connection** [01-200-3]
This account will be used for charging the costs of transferring a member's physical connection from one location to another as well as from one person to another.
- 11) **Sale of Meters** [01-250-1]
This account will be used for recording proceeds from sale of water meters to members.
- 12) **Sale of Meter boxes** [01-250-2]
This account will be used for recording proceeds from sale of meter boxes to members.
- 13) **Sale of Pipes** [01-250-3]
This account will be used for recording proceeds from sale of pipes and other piping materials to members.
- 14) **Sale of Other Materials** [01-250-4]
This account will be used for recording proceeds from sale of other water related materials to members.
- 15) **Application fee** [01-350-1]
This account will be used for recording proceeds from sale of application forms to people who seek to join the water supply.
- 16) **Installation charges** [01-350-2]
This account will be used for accounting for the payments made by new consumers for the labour costs incurred by staff in installing the new connection.
- 17) **Development Labour charges** [01-350-3]
This account will be used for recording proceeds from labour charges to new members who desire to join the water supply. This charge is for the labour that old members may have contributed during the water supply's initial development.
- 18) **New connection charges** [01-350-4]
This account will be used for recording fees payable by new members who aspire to join the water supply.
- 19) **Fines and penalties** [01-360-2]
This account will be used for recording all monies received from members charged for breaking the bylaws of the water supply.
- 20) **Visitors charges** [01-360-3]
This account will be used for recording all fees charged to visitors who come to visit, tour or use any of the water supply's facilities.
- 21) **Donations account** [01-380]
This account will be used for recording all monies received from donors, and well wishers.



- 22) **Capital Contributions account** [01-400]
This account will be used for recording all collections from members made for capital expenditure purposes.

Expenditure Accounts Codes

In the process of providing water services, a water supply incurs various expenses.

- 1) **Personnel Emoluments** [02-500-1]
This account will be used for accounting for salaries of all permanent staff in the employment of the water supply.
- 2) **Casual wages** [02-500-7]
This account will be used for accounting for all short term and casual employment payments.
- 3) **Gratuity and Pension Contributions** [02-500-2]
This Account will be used for gratuity and pension contributions relating to the permanent staff whose salaries and wages are charged to the account for Personnel Emoluments.
- 4) **House Allowances** [02-500-3]
House allowances paid to staff on permanent establishment which is paid along with salaries will be charged to this account. Where staff are housed, the rate applied for calculation of Income Tax payments will be used to estimate the shadow value (equivalent to rent) of housing.
- 5) **Other Personal Allowances** [02-500-4]
Allowances that are paid along with and are parts of salaries e.g. acting allowances, duty allowances, etc., will be charged to this account.
- 6) **Passage and Leave Expenses** [02-500-5]
Leave expenses incurred will be charged to this account.
- 7) **Medical Claims** [02-500-6]
Medical expenses will be charged against this account.
- 8) **Transport Operating Expenses** [02-520]
The account will be used for charging the following expenses:
 - i) Transport of labour and materials, [02-520-1]
 - ii) Allowances for Bicycles and Motor Cycles used at Water Schemes [02-520-2]
 - iii) Motor Vehicle fuels, oils and lubricants, tyres, tubes, insurance, road Licenses, Driver's Licenses, etc., [02-520-3]
 - iv) Repairs, servicing and maintenance of vehicles. [02-520-4]



- 9) **Traveling and Accommodation Expenses [02-525]**
 This Account will be used to charge for expenses incurred when staff travel to other stations on duty. Examples of expenses chargeable to this Account are:
- i) Bus fares [02-525-1]
 - ii) Hotel accommodation expenses [02-525-2]
 - iii) Lunches [02-525-3]
 - iv) Vehicle mileage allowances [02-525-4]
- 10) **Telephone and postage Expenses [02-530]**
 Communication expenses by post including express mail, telephones, telex, telegram, fax, etc., will be charged to this account.
- 11) **Official Entertainment [02-535]**
 Expenses incurred for food, lunches, drinks, accommodation, etc., by official visitors will be charged to this account.
- 12) **Office Electricity and Water bills [02-540-1]**
 Expenses incurred for office electricity; Local Authority charges such as service charges, water and sewerage, etc. , will be charged to this account. Diesel used for generating electricity for the offices; paraffin and lanterns used in offices will also be charged to this account.
- 13) **Committee sitting allowances [02-560-1]**
 Management committee members are paid an allowance for attending management meetings. These payments shall be accounted using this account.
- 14) **Committee duty allowances [02-560-2]**
 When members of the management committee spend their time executing water supply's work, they are at times paid duty allowances. Such expenditure should be recorded by use of this account.
- 15) **Purchase of Supplies for Production [02-570]**
 This account shall be used for charging materials and consumables purchased or acquired for direct production, treatment and distribution of water. Examples of expenses chargeable to this account are:
- i) electricity [02-570-1]
 - ii) fuel, oil, and lubricants, [02-570-2]
 - iii) chemicals [02-570-3]
 - iv) filter materials [02-570-4]



- 16 General office expenses [02-580]**
 This account will be used for charging items required for running offices such as:
- i) Uniforms and clothing [02-580-2]
 - ii) Shows and exhibitions [02-580-3]
 - iii) Cleaning and laundry expenses [02-580-4]
 - iv) Office tea expenses [02-580-5]
- 17 Stationery and printing [02-590]**
 This account shall be used for expenditure incurred in procuring general stationery and printing materials for the office.
- i) Office stationery [02-590-1]
 - ii) library materials [02-590-2]
- 18 Financial records and books [02-595]**
 This account will be used for recording expenditure incurred in purchasing systems documents and books of accounts as contained in this manual. This will include consumer ledgers, receipts books, billing books, meter reading books, cash books, Loose leaf ledgers, Journals Application forms etc.
- 19) Hiring, Rent and Rates [02-550]**
 This Account will be used for charging rent and hire expenses for premises, spaces, field offices and staff houses. Rates and Local Authority charges incidental to these hirings and rentals will also be charged to this account. It may include:
- i) Office rent [02-550-1]
 - ii) Land rent [02-550-2]
 - iii) Rates [02-550-3]
- 20) Miscellaneous and other Expenses [02-600]**
 This account will be used for small expenses that are not allocated to any other account. Hire of security services, bank charges and interest, etc., will be charged to this account. Efforts should be made to limit charging this account to the minimum as most expenses are provided with their own accounts.
- 21) Bank charges and interest [02-615]**
 All charges levied by the banks running the water supply's bank accounts including interest on loans and overdrafts will be accounted for by this account. It can further be broken down as follows:
- i) Ledger fees [02-615-1]
 - ii) Commission [02-615-2]
 - iii) Interest [02-615-3]
- 22 Maintenance of Plant, Machinery and Equipment [02-620]**
 Store items and Labour used in maintenance of Plant, Machinery and Equipment will be charged to this account. As will be repair of water meters.

- 23) **Maintenance of Land and Buildings** [02-630]
To this account will be charged all the expenses incurred on maintenance of office buildings, staff houses, stores, etc.
- 24) **Maintenance of Water Supply Structures** [02-640]
Expenditures incurred on maintenance of water intakes, treatment plants, storage tanks, non-office the water supply' buildings, pump houses and distribution system will be charged to this account
- 25) **Maintenance of Access Roads,** [02-650]
Expenditures incurred on maintenance of roads serving Water Supply installations such as intakes, pump-houses, treatment plants, etc., will be charged to this account.
- 26) **Training** [02-660]
All expenses incurred in training the water supply's staff, committee and the ordinary members will be charged and budgeted for under this Account.
- 27) **Imprest** [02-670]
This is not strictly an expenditure account but imprests taken will be debited to this proposed account and when surrendered, the account will be credited to indicate that the imprests taken have been cleared.
- 28) **Provision for bad debts** [02-675]
This account will be debited with all the unpaid bills whose recovery appears uncertain especially when the defaulters have exceeded the maximum period allowable before being de-registered from the water supply
- 29) **Provision for Depreciation** [02-680]
This account will be used for depreciating the water supply's fixed assets over their realizable economic lives. We recommend that the straight line method of depreciation -- whereby the value of an asset is written off by equal annual amounts -- be used. The depreciation account codes will include:
- | | |
|------------------------|-----------------|
| Office Block | [02-680-1010-1] |
| Staff houses | [02-680-1010-2] |
| Pump houses | [02-680-1010-3] |
| Stores | [02-680-1010-4] |
| Latrines | [02-680-1010-5] |
| Fences | [02-680-1010-6] |
| water kiosks | [02-680-1010-7] |
| Intake weir | [02-680-1040-1] |
| Intake sump | [02-680-1040-2] |
| Dosers | [02-680-1060-1] |
| Instruments | [02-680-1060-2] |
| works | [02-680-1060-3] |
| Pumps | [02-680-1080-1] |
| Engines | [02-680-1080-2] |
| Motors/cables/switches | [02-680-1080-3] |
| Gravity main | [02-680-1100-1] |
| Rising main | [02-680-1100-2] |
| Distribution lines | [02-680-1100-3] |

Service lines	[02-680-1100-4]
Air valves	[02-680-1110-1]
Sluice valves	[02-680-1110-2]
Chambers	[02-680-1110-3]
Storage tanks	[02-680-1140-1]
Brake pressure tanks	[02-680-1140-2]
Production master meters	[02-680-1160-1]
Distribution master meters	[02-680-1160-2]
Consumer meters	[02-680-1160-3]
Communal water points/Kiosks	[02-680-1150]
Tools	[02-680-1170]
Motor Vehicles	[02-680-1180]
Motor cycles and bicycles	[02-680-1190]
Office Equipment	[02-680-1200]

- 30 Audit and Accountancy [02-685]**
This account will be used for charging all costs and fees relating to preparation and auditing of water supply accounts.
- 31 Consultancy Services [02-690]**
This account will be used for charging all costs and fees relating to consultancies and professional advice, studies and reports which the water supply may contract for.
- 32 Accruals, Prepayments and Clearance [700]**
This holding account, though not an expenditure account, has been introduced for crediting deductions from staff salaries and wages and later debiting when the amounts are paid over to the relevant authorities such as NSSF or NHIF. Such other transactions as over-payments and pre-payments can also be charged to this account, but should be cleared as soon as possible.

Balance Sheet Schedules.

The water supply will at the end of each financial year, prepare its annual audited accounts and Balance Sheet for presentation to its members in the Annual General Meeting. The following accounts and codes form the basis for Balance sheet accounts.

- Fixed Assets [03]**
- 1) **Land [03-1000-1]**
All expenses incurred in acquiring land will be accounted for using this account.
- 2) **Access Roads [03-1000-2]**
All expenses incurred in acquiring access roads to the water supply's installations will be accounted for using this account.
- 3) **Buildings [03-1010]**
All water supply buildings will be accounted for using this account. These may include the following:
- | | |
|--------------|-------------|
| Office Block | [03-1010-1] |
| Staff houses | [03-1010-2] |

- | | | |
|--|--------------|-------------|
| | Pump houses | [03-1010-3] |
| | Stores | [03-1010-4] |
| | Latrines | [03-1010-5] |
| | Fences | [03-1010-6] |
| | water kiosks | [03-1010-7] |
- 4) **Intake works [03-1040]**
All expenditure incurred for the construction of the intake works will be accounted using this account. This shall include:
- | | | |
|--|-------------|-------------|
| | Intake weir | [03-1040-1] |
| | Intake sump | [03-1040-2] |
- 5) **Treatment works [03-1060]**
All expenditure relating to construction of treatment works will be accounted using this account. This shall include:
- | | | |
|--|-------------|-------------|
| | Dosers | [03-1060-1] |
| | Instruments | [03-1060-2] |
| | works | [03-1060-3] |
- 6) **Pumping Equipment [03-1080]**
All expenditure incurred in acquiring pumping equipment will be accounted using this account. This shall include:
- | | | |
|--|------------------------|-------------|
| | Pumps | [03-1080-1] |
| | Engines | [03-1080-2] |
| | Motors/cables/switches | [03-1080-3] |
- 7) **Piping [03-1100]**
All expenditure incurred in laying new pipelines will be accounted using this account. This shall include:
- | | | |
|--|--------------------|-------------|
| | Gravity main | [03-1100-1] |
| | Rising main | [03-1100-2] |
| | Distribution lines | [03-1100-3] |
| | Service lines | [03-1100-4] |

- 8) **Valves [03-1110]**
 All expenditure incurred in acquiring sluice valves, air valves and their chambers shall be accounted for using this account. This can be broken down as follows:
- | | |
|---------------|-------------|
| Air valves | [03-1110-1] |
| Sluice valves | [03-1110-2] |
| Chambers | [03-1110-3] |
- 9) **Reservoirs [03-1140]**
 All expenditure incurred in construction of storage tanks and brake pressure tanks will be accounted for using this account as follows:
- | | |
|----------------------|-------------|
| Storage tanks | [03-1140-1] |
| Brake pressure tanks | [03-1140-2] |
- 10) **Public Kiosks [03-1150]**
 All expenditure incurred in putting up communal water points and kiosks will be accounted by this account.
- 11) **Meters [03-1160]**
 All expenditure incurred in acquiring both consumer and master water meters should be accounted for by this account. This account may be broken down as follows:
- | | |
|----------------------------|-------------|
| Production master meters | [03-1160-1] |
| Distribution master meters | [03-1160-2] |
| Consumer meters | [03-1160-3] |
- 12) **Tools [03-1170]**
 All expenditure incurred in acquiring tools will be accounted for using this account.
- 13) **Motor Vehicles [03-1180]**
 Expenditures incurred on purchase of motor vehicles will be charged to this account.
- 14) **Motor cycles and bicycles [03-1190]**
 Expenditures incurred on purchase of Motor cycles and bicycles will be charged to this account.
- 15) **Office Equipment [03-1200]**
 This account will be used for charging equipment for use in the offices, for example, adding machines, calculators, ledgers, books of accounts, and documents, typewriters, photocopiers, etc.

Current Assets [03-1250]

Current assets will include the water supply assets which have an estimated life of one year or less or those assets that are turned over within one year. These are further subdivided according to their realisability or ease of being converted into cash as follows:

- 1) Spare parts and fittings [03-1250-1]
- 2) Stock of materials [03-1250-2]
- 3) Consumable stores [03-1250-3]
- 4) Debtors and prepayments [03-1250-4]
- 5) Fixed deposits [03-1250-5]
- 6) cash at bank [03-1250-6]
- 7) cash in hand. [03-1250-7]

Current Liabilities [04-1300]

Current liabilities are those obligations that are likely to mature within twelve months and are incurred in the normal trading cycle. They will be classified in the following manner:

- 1) customer deposits [04-1300-1]
- 2) creditors control [04-1300-2]
- 3) accrued charges [04-1300-3]
- 4) Bank overdraft [04-1300-4]

Long-term Liabilities [04-1350]

Long term liabilities are those obligations to third parties not maturing for payment within the next financial year. An example is along term loan or a deferred loan.

Reserves [05-1400]

This account schedule shall comprise of the surplus or deficit in the income and expenditure account on annual basis and any such surplus or deficit arising from the revaluation of the water supply's assets. It shall also include a reserve for replacement of fixed assets which shall be credited with all amounts set aside for depreciation of the assets and any other transfer from the general reserve. Amounts set aside for payment of taxes shall appear under statutory reserves. The account codes shall, therefore, appear as follows:

- 1) General reserve [05-1400-1]
- 2) Revaluation reserve [05-1400-2]
- 3) Statutory reserves [05-1400-3]
- 4) Fixed assets replacement reserve 05-1400-4]

A summary of the above accounts codes is provided in Annex 1 at the end of this chapter.



Chapter 3: Control Rules, Clerical and Accounting Routines

This Chapter discusses some control mechanisms, clerical and accounting routines for operating the system.

Control Rules

Enabling legal and institutional framework

The Constitution and bylaws of the water supply are the legal foundations for all the operations of the supply. It is, therefore, important that the supply is properly registered under a suitable law, has a competent constitution and bylaws already approved by members. The legal authority for the exercise of accounting functions, including enforcement, stem and derive from constituted bylaws.

The Constitution and bylaws should provide for the overall management of the supply's resources, including assets, income and expenditure, receipt and use of funds, investments, budgets, requisitions, etc.

The bylaws need to delineate and assign financial responsibilities to specific organs within the organization.

The most important and effective overall control mechanism is the empowerment of members to require, demand and receive accountability from elected officials and staff. Members, constituted as a General Meeting, have normally the powers, rights and responsibility of electing their leaders. By the same token, they should also have the powers to discipline their officers. These should not be formal powers as contained in many constitutions, they should be meaningful and applicable. Civic education could be a useful tool in the empowerment of members.

Administrative Set-up

The constitution and bylaws of a water supply, should separate and diffuse powers within the organization and providing checks and balances. Proper bylaws address themselves to one of the most fundamental tenets in financial controls. Namely, segregation of duties between and among persons carrying out accounting functions. As far as is practically possible the person recording financial data should not also be the one receiving cash nor should he/she be the one charged with custody and authorization powers. Segregation of duties and responsibilities is a crucial aspect of any credible system of internal control. This system requires such segregation of financial personnel and functions.

The Budget

The Constitution and bylaws of the water supply must provide that the water supply is be run on the basis of a members' approved annual budget.

The budget provides income and expenditure projections for the following year and should include a realistic contingency allowance. The management committee and staff must appreciate that the funds in their

control belong to members who need to give their overall authorization of expenditures through approving budget requests prepared by staff and committee.

No expenditures, outside the approved budget framework, should be allowed and Bylaws should provide that committee members automatically reimburse the supply for any unauthorized expenditures.

Should the committee anticipate an overexpenditure, it may convene a special AGM to approve supplementary expenditures. The Trial Balance and Monthly Income and Expenditure Statements enable committees and staff to maintain a constant watch on the performance of budgeted amounts.

Cash Receipts Controls

The bylaws should stipulate that all cash income received *must be banked intact* prior to its expenditure. Where banking services are readily accessible to members, they should be encouraged to make their payments directly to the supply's bank account.

Cash Requisition and Payment Procedures

Rules and procedures for making cash requisitions and payments must be adopted at the time of installation of this system. These rules and procedures need to have the following features:

- The office (or authorized official) must prepare a cash requisition and present the same to the treasurer (or authorized official).
- The treasurer (or authorized official) should present the requisition to the management committee meeting for approval.
- In considering and approving requisitions, the management committee, must satisfy themselves that the requests are within the approved budget limits.
- After approval is given, the bank signatories arrange for withdrawal of approved amounts from the bank. The total withdrawn amount is handed over to the authorized paying person who makes the payments as contained in the requisition and approved by the management committee.
- After all payments have been made, the authorized paying person accounts to the treasurer (or authorized official) who should ensure that all payments have been properly made and there is enough supporting evidence in form of receipts, payment vouchers and proper recording in the financial books.
- The management committee should not approve any expenditures/payments before the treasurer (or authorized official) or the committee itself is satisfied with the utilization of the previous requisition through records accounting for such payments.
- Emergency payments can be made as soon as they occur. The authorized paying person must, however, prepare a cash requisition for such emergency payments.
- Due to the urgent nature of emergency requisitions, these can be approved by the executive committee but the requisition must be presented for approval at the next management committee meeting without fail.

Checking and Authorization

The system of checking and authorization is crucial at all levels of a water supply. Persons authorized by the supply's bylaws should check payment vouchers. The one checking must be satisfied that the relevant



document e.g. cash sale, invoice or agreement is correct as far as casting, cross casting and unit costs are concerned. The same will apply to all cheque payment and petty cash vouchers.

Imprest and Petty Cash Controls

Some O&M expenditures can be met from an imprest account. The petty cash book will be maintained on a reimbursement basis and kept at a given float depending on the needs of the water supply. Careful scrutiny must be done and verifications with supporting documents done before reimbursement. Arrears must be investigated and discouraged and no IOU or cheque cashing should be allowed. Petty cash and main cash book must be written in clean ink not pencil and any suspicious erasures and crosses must be investigated and discouraged.

Bank and Other Reconciliations

Bank reconciliation is a statement which explains the difference between cash book balance and the bank statement balance. Differences occur due to e.g.. uncleared bankings, unrepresented cheques, bank charges not notified to the account holder and therefore not booked in the cash book. The reconciliation helps to identify errors in the cash book and facilitates early rectification. There could also be differences between debtors and creditors balances as compared to the control accounts and again a debtors or creditors reconciliation comes in handy in order to pinpoint errors of commission or omission.

Regular updating and posting of Books

Another important feature of control mechanisms is the regular updating and posting (i.e. ensuring that transactions are entered as and when they occur) of the following documents and books of prime entry, petty cash book, main cash book, journal, bin cards nominal ledger and purchase day book. All the above documents and books ought to be updated on a daily basis.

Periodic Financial Statements

Suitable bylaws also define and demand that periodic financial statements (i.e. income, expenditure and balance sheets) are prepared for discussion. When such statements are discussed by competent officials, problems, errors and shortcomings are detected and corrective measures suggested. The need to prepare the statements for discussion and perusal acts as a powerful tool for control, offers management a chance to compare actual performance against expectations and to pinpoint responsibility for errors of omission and/or commission.

Periodic Physical Counts

Another important control mechanism is the physical count of stocks and consumables, and other movable assets of the the water supply. This should ideally be done once a year at the time of the annual audit.

External Audit

All accounts must be audited by an external firm of auditors who must present the report and accounts including their management letter to the members at the AGM. Bylaws need to make it mandatory that audited accounts are part of the agenda at the AGM and any committee unable to do so automatically vacates office.

Documentation

Certain activities and procedures must be accompanied by documents in order to provide a means of showing authorization, checking and

approval. Purchases must never be done without proper authorization as set by the bylaws. A local purchase order (LPO) is a must for all credit purchases.

- The LPO must be sanctioned by the persons authorized by the bylaws and no invoices or cash sales should be paid without reference to the relevant LPO.
- No item may be removed from stores to workshop without a stores issue note (SIN) signed by the storeclerk or duly authorized O&M Staff. The stores issue note will be the means through which the bin card clerk will post all issues of stocks.
- No item may be received to stores without a goods received note (GRN) which will be prepared after a scrutiny of goods received from suppliers to ensure that all goods are as ordered in the LPO as regards quantity, quality, unit price and total cost. Again the GRN will form the basis of posting the bin card for all goods received.
- Any adjustment for errors of omission, commission or year end adjustments that go through the journal, must be accompanied by a journal voucher properly checked and authorized by a responsible official and giving a clear narrative as to why that particular adjustment is considered necessary.

Other authoritative documents will be generated as need arises but taking care not to riddle the system with unnecessary and self-defeating controls.

Investment Policies

A decision to invest accumulated funds or surpluses may need to be made. The Constitution and bylaws should provide that such a decision can only be made by members at an AGM. Where the need for such a decision is urgent, a special general meeting should be convened to decide with due care being taken to avoid investment of funds in weak or collapsing organizations.

Safe Keeping of Records

All confidential records, files, books and papers **must** be securely locked in cabinets and access to them be limited to authorized personnel only. This includes staff files and records. Cash boxes for petty cash floats must be maintained.

Serial Number Stamping

In addition to physical count, movable assets owned by the the water supply must be stamped with their names or shorter derivative of the same with indelible ink. Serial numbers where necessary must also be shown on the asset concerned.

Fixed Assets Register

A fixed assets register which is simply a book or ledger summarizing all the assets owned by a water supply must be maintained and kept up to date. For each asset a separate page is opened to detail such data like, full description of asset, serial number, location, year of manufacture or purchase, depreciation method and rate etc.

Insurance and Cash-in Transit

All assets owned by the water supply should be insured against risks such as theft, fire, floods and other natural calamities. In addition, a cash-in-transit cover for should be taken depending on the normal carriage at any one time.

Accrual and Prepayments Accounting

The proposed Financial Accounting System has provisions for accrual accounting. This means that income or expenditure is accounted for when it is incurred not when it is paid, as is the case in cash accounting. Accrual accounting presents a more accurate picture of the financial situation of an organization in that both incomes and expenditures, including commitments and debts enter the System while at the same time allowing for specification of actual payments and receipts made.

Books of Prime Entry

The Books of Prime Entry are the Books or documents where transactions are summarized and from which the summaries are posted to the Nominal Ledger in preparation for the production of Final Accounts. The following are the Books of Prime Entry suggested for this System.

Pay-roll Summary

The Pay-roll Summary is the summary of the pay-rolls for each class of employees as listed in the Schedule of Accounts.

Petty Cash Book

The Petty Cash Books are records of all petty cash payments made from the various cash imprests. There will be a Petty Cash Book written up from the vouchers and receipts used for all the petty cash payments.

Purchases Day Book

All credit purchases made by the water supply will, where, following the procedures laid down, be eventually entered and analyzed in the Purchases Day Book.

Main Cash/Bank Book

All revenue receipts and payments both in cash or by cheque will be entered in the Main Cash/Bank Book and properly analyzed. All other bank transactions will also be entered there. Separate cash books may be maintained for each bank account depending on the volume of transactions.

Nominal Ledger

The Nominal Ledger is a loose-leaf book in a binder. Each leaf is for a specific Account as listed in the Schedule of Accounts.

The analyzed summaries from each of the Books of Prime Entry are entered on the appropriate folios in the Nominal Ledger each month and the balance on each folio is brought down and posted to the Trial Balance for the preparation of the final accounts.

Creditors Analysis

From the records contained in the Creditors Personal Ledger a Schedule of Creditors providing an age analyzed listing of all balances in the Creditors Personal Ledger and the end total shall be prepared, a listing which must agree with the Control Account in the Nominal Ledger. This schedule shall be prepared every month.

Debtors Personal Ledger

The Consumer's Ledgers are the Debtors Personal Ledgers. The total of all end of month balances in the Consumer Ledger is also found in the Nominal Ledger in the appropriate Control Account. This schedule shall be prepared every month.

Debtors Analysis

From the records contained in the Debtors Personal Ledger a Schedule of Debtors providing an age analyzed listing of all balances in the Debtors Personal Ledger and the end total shall be prepared at each month end. The listing must agree with the Control Account in the Nominal Ledger.

The Journal

The Journal is the book where the opening entry will be the breakdown of the Balance Sheet for the previous Financial Year in order to open up the set of books for the new financial year. Transfers from one account to the other, correction of errors and other adjusting entries are all effected in the journal.

Trial Balance

The Trial Balance is basically a summary of all ledger balances after each has been ruled off following all the postings from the books of prime entry and the journal. It also includes the balances from the petty cash and main cash and bank books.

As all Books are written using the Double Entry System, it therefore follows that the debit and credit totals in the Trial Balance must agree. Any difference must be located and corrected.

Income and expenditure account

The Trial Balance will after all the correcting journal entries be extended to produce an extended trial balance comprising of income and expenditure account and the balance sheet. The income account schedules have credit balances while the expenses have the debit balances. If the credits are more than the debits the result is an excess of income over expenditure (surplus) while if the reverse is the outcome, a deficit is realized. The income and expenditure account is the result of trading or in our case of interacting with members for a given period of time. It is normally drawn up for a period of one year.

Balance sheet and reserves

Also arising from the trial balance is the snap shot of water supply's financial position as at a particular period, referred to as the balance sheet. It is a continuation of the double entry concept and brings together the assets of an entity and the sources of finance of these assets referred to as liabilities and members capital. Members capital refers to the funds injected and results of trading over time, also referred to as income and expenditure account. Both these are then compiled in a report typed and printed and referred to as year end accounts which should be audited and read to the members at their annual general meeting.

Clerical routines

Clerical routines for operating the system are provided in Tables 1 and 2. Annex II contains the books and documents mentioned in the two tables while Annex III provides specimens of the books and documents.

Summary

The individual water supply, on the basis of competent professional advice, should adopt those account schedules and codes which are relevant and applicable to its situation. However, the control rules and clerical routines are applicable and should be adopted. The success of the system will depend on

- a) the extent to which it is adhered to and rigorously enforced, and,
- b) on retaining members' active and well informed participation in the affairs of the supply.

Annex I provides a summary of the Schedule of Account Codes provided in this chapter, Annex II contains books and documents for this system and Annex III has specimen copies of books and documents.



ANNEX III

SPECIMEN SYSTEM DOCUMENTS



ANNEX I

SUMMARY OF ACCOUNTS CODES.

Income Accounts Codes

Water Rate	[01-100-1]
Meter Rent	[01-100-2]
Re-connection Fee	[01-100-3]
New connections charges	[01-350-2]
Standing charges	[01-150]
Consumer Repair Charges	[01-200-1]
Services Rendered to other water supplies	[01-200-2]
Miscellaneous Charges	[01-360-1]
Water Deposits [[01-300-1]
Interest on Bank Deposits	[01-300-2]
Transfer of connection	[01-200-3]
Sale of Meters	[01-250-1]
Sale of Meters boxes	[01-250-2]
Sale of Pipes	[01-250-3]
Sale of Materials	[01-250-4]
Application fee[[01-350-1]
Labour charges	[01-350-4]
New connection charges	[01-350-3]
Fines and penalties	[01-360-2]
Visitors charges	[01-360-3]
Donations account	[01-380]
Capital Contributions account	[01-400]

Expenditure Accounts

Personal Emoluments	[02-500-1]
Casual wages	[02-500-7]
Gratuity and Pension Contributions	[02-500-2]
House Allowances	[02-500-3]
Other Personal Allowances	[02-500-4]
Passage and Leave Expenses	[02-500-5]
Medical Claims	[02-500-6]
Transport Operating Expenses	[02-520]
Transport of labour and materials,	[02-520-1]
Allowances for Bicycles and Motor Cycles	[02-520-2]
Motor Vehicle fuels, oils and lubricants, tyres, tubes, insurances, road Licences, Driver's Licences, etc	[02-520-3]
Repairs, servicing and maintenance of vehicles	[02-520-4]
Traveling and Accommodation Expenses	[02-525]
Bus fares	[02-525-1]
Hotel accommodation expenses	[02-525-2]
Lunches	[02-525-3]
Vehicle mileage allowances	[02-525-4]
Telephone and postage Expenses	[02-530]
Official Entertainment	[02-535]
Electricity, Water and Conservancy	[02-540-1]
Committee sitting allowances	[02-560-1]
Committee duty allowances	[02-560-2]
Purchase of Supplies for Production electricity	[02-570] [02-570-1]



fuel,oil, and lubricants,	[02-570-2]
chemicals	[02-570-3]
filter materials	[02-570-4]
General office expenses	[02-580]
Uniforms and clothing	[02-580-2]
Shows and exhibitions	[02-580-3]
Cleaning and laundry expenses	[02-580-4]
Office tea expenses	[02-580-5]
Stationery and printing	[02-590]
Office stationery	[02-590-1]
library materials	[02-590-2]
Financial records and books	[02-595]
Hiring, Rent and Rates	[02-550]
Office rent	[02-550-1]
Land rent	[02-550-2]
Rates	[02-550-3]
Miscellaneous and other Expenses	[02-600]
Bank charges and interest	[02-615]
Ledger fees	[02-615-1]
Commission	[02-615-2]
Interest	[02-615-3]
Maintenance of Plant, Machinery and Equipment	[02-620]
Maintenance of Land and Buildings	[02-630]
Maintenance of Water Supply and Sewerage	[02-640]
Maintenance of Access Roads	[02-650]
Training of Staff	[02-660]
Imprest	[02-670]
Provision for bad debts	[02-675]
Provision for Depreciation	[02-680]
Audit and Accountancy Fees	[02-685]
Consultancy Services	[02-690]
Accruals, Prepayments and Clearance	[700]
Depreciation of Assets	
Office Block	[02-680-1010-1]
Staff houses	[02-680-1010-2]
Pump houses	[02-680-1010-3]
Stores	[02-680-1010-4]
Latrinse	[02-680-1010-5]
Fences	[02-680-1010-6]
water kiosks	[02-680-1010-7]
Intake weir	[02-680-1040-1]
Intake sump	[02-680-1040-2]
Dosers	[02-680-1060-1]
Instruments	[02-680-1060-2]
works	[02-680-1060-3]
Pumps	[02-680-1080-1]
Engines	[02-680-1080-2]
Motors/ cables/ switches	[02-680-1080-3]
Gravity main	[02-680-1100-1]
Rising main	[02-680-1100-2]
Disrtibution lines	[02-680-1100-3]
Service lines	[02-680-1100-4]
Air valves	[02-680-1110-1]
Sluice valves	[02-680-1110-2]
Chambers	[02-680-1110-3]

Storage tanks	[02-680-1140-1]
Brake pressure tanks	[02-680-1140-2]
Production master meters	[02-680-1160-1]
Distribution master meters	[02-680-1160-2]
Consumer meters	[02-680-1160-3]
Community water points	[02-680-1150]
Tools	[02-680-1170]
Motor Vehicles	[02-680-1180]
Motor cycles and bicycles	[02-680-1190]
Office Equipment	[02-680-1200]

Fixed Aseets [03]

Land	[03-1000-1]
Access Roads [[03-1000-2]
Buildings	[03-1010]
Office Block	[03-1010-1]
Staff houses	[03-1010-2]
Pump houses	[03-1010-3]
Stores	[03-1010-4]
Latrinse	[03-1010-5]
Fences	[03-1010-6]
water kiosks	[03-1010-7]
Intake works	[03-1040]
Intake weir	[03-1040-1]
Intake sump	[03-1040-2]
Treatment works	[03-1060]
Dosers	[03-1060-1]
Instruments	[03-1060-2]
works	[03-1060-3]
Pumping Equipment	[03-1080]
Pumps	[03-1080-1]
Engines	[03-1080-2]
Motors/cables/switches	[03-1080-3]
Piping	[03-1100]
Gravity main	[03-1100-1]
Rising main	[03-1100-2]
Distriution lines	[03-1100-3]
Service lines	[03-1100-4]
Valves	[03-1110]
Air valves	[03-1110-1]
Sluice valves	[03-1110-2]
Chambers	[03-1110-3]
Reservoirs	[03-1140]
Storage tanks	[03-1140-1]
Brake pressure tanks	[03-1140-2]
Community water points	[03-1150]
Meters	[03-1160]
Production master meters	[03-1160-1]
Distribution master meters	[03-1160-2]
Consumer meters	[03-1160-3]
Tools	[03-1170]
Motor Vehicles	[03-1180]
Motor cycles and bicycles	[03-1190]
Office Equipment	[03-1200]

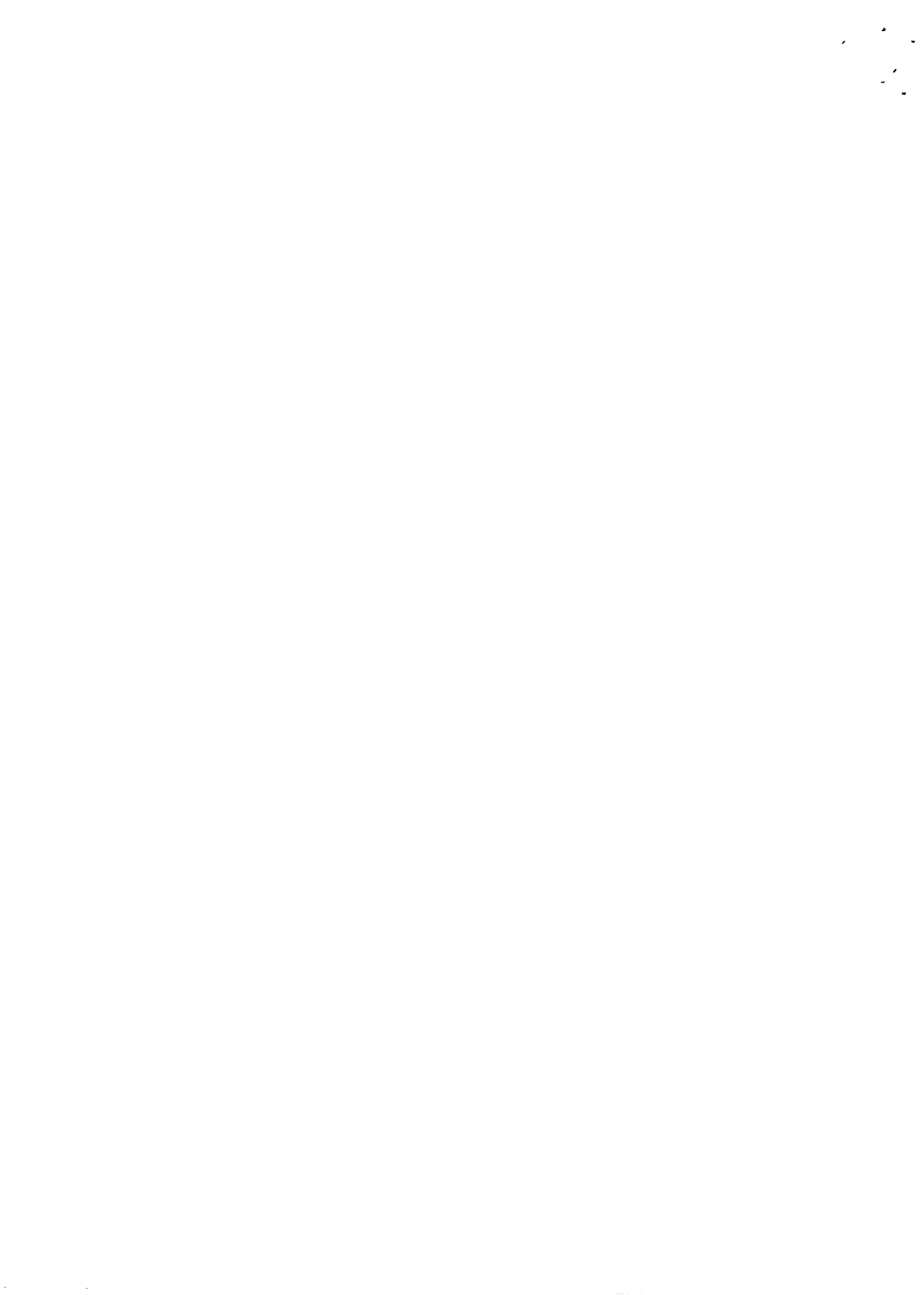
Current Assets	[03-1250]
Spare parts and fittings	[03-1250-1]
Stock of materials	[03-1250-2]
Consumable stores	[03-1250-3]
Debtors and prepayments	[03-1250-4]
Fixed deposits	[03-1250-5]
cash at bank	[03-1250-6]
cash in hand.	[03-1250-7]
 Current Liabilities	 [04-1300]
customer deposits	[04-1300-1]
creditors control	[04-1300-2]
accrued charges	[04-1300-3]
Bank overdraft	[04-1300-4]
 Longterm Liabilities	 [04-1350]
 Reserves	 [05-1400]
General reserve	[05-1400-1]
Revaluation reserve	[05-1400-2]
Statutory reserves	[05-1400-3]
Fixed assets replacement reserve	[05-1400-4]

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ANNEX II: Systems Documents

This Financial Management and Accounting System will use the following set of accounting books and documents:

Doc No	Name	Use
WSD 1	Consumer Agreement/ Application Form	Consumer Application for membership in the water supply showing agreement to abide to the water supply bylaws
WSD 2	Applications Register	control of applications
WSD 3	Water Connection Costs Estimate	To notify applicant the cost of connection
WSD 4	Consumer Card	Consumer identification recording monthly meter reading
WSD 5	Consumer Ledger	Personal Accounts of each consumer showing transactions listed monthly on debtors control and must agree with balance in Nominal Ledger
WSD 6	Master Register of	Register of all Consumers in the water supply.
WSD 7	Meter Reading Book	Book in which all meter readings are recorded each month consumption calculated to prepare water bills.
WSD 8	Water Bill	Invoice in which charges are made to Consumers as Listed and analysed in the Billing Day Books.
WSD 9	Report on Meters Not read	A monthly report listing all meters not read during the month and giving the reasons.



Doc No	Name	Use
WSD 10	Debtors Analysis	List of all Outstanding Balances in the Consumer Ledger. It must agree with the Control Account in the Nominal Ledger.
WSD 11	Budget Form	A form in which the annual budget for the water supply is prepared in advance for the coming Financial Year in the same format as the Income and Expenditure Account.
WSD 12	Revenue Receipt	To acknowledge all payments received. To reconcile with deposits and to analyse payments received.
WSD 13	Nominal Ledger	A Leaf-book in which each account in the Schedule of Accounts Codes has its own page. Monthly balances on each account item are then listed in the Trial Balance.
WSD 14	Cash Payment /petty cash voucher	Numbered document on which all cash payments from Imprests are recorded. Petty cash Payment Vouchers are recorded in Petty Cash Books.
WSD 15	Payment Voucher	A voucher prepared for every payment made giving relevant details.
WSD 16	Main Cash/BankBook	A Book of Prime Entry in which all cash receipts and payments are recorded and analysed and Imprest Accounts controlled. At the end of each month totals are posted to the appropriate accounts in the nominal ledger. Balances are taken at the end of the month and reconciled with the bank balances.



Doc No	Name	Use
WSD 17	Purchase Requisition	Document authorizing the purchase of goods required which are not in stock. It must be signed by an authorized signatory
WSD 18	Local Purchase Order	Instructions to a Supplier to supply goods or services. Must be signed by an authorised signatory
WSD 19	Goods Received Note	Document prepared to record all items received in the stores. A copy of this is attached to a copy of the Local Purchase Order and attached to the Supplier's invoice to justify acceptance of the invoice.
WSD 20	Stores Requisition	Requisition for items required from the Stores and signed by an authorized signatory.
WSD 21	Stores Issue Note	A voucher listing any item issued from the Stores. A copy of this document must be attached to the appropriate Job Register.
WSD 22	Stock Control Card	A Card prepared for each item in the stores on which all issues and receipts are recorded using the Goods Received Note and Stores Issue Note. Numbers are used as authority for the entries. Balances of all Stock Control Cards are entered on Stock Summaries at the end of every month.
WSD 23	Stock Summary	List of all items and their balances in Stock abstracted from the Stock Control Cards periodically for report purposes.



Doc No	Name	Use
WSD 24	Purchases Day Book	(i) A Book of Prime Entry in which all Supplier's Invoices are recorded and analysed. Totals are posted at the end of each month to the Nominal Ledger and individual Invoices to the Creditors Personal Accounts.
WSD 25	Creditors Analysis	List of all Balances on the Personal Accounts of Creditors prepared monthly, the total of which must agree with the Balance of the Creditor's Account in the Nominal Ledger
WSD 26	Personnel Record	Personal information record, one of which is prepared for every staff member.
WSD 27	Pay-roll	Document showing the breakdown of the make-up of gross pay and the deductions leading to net pay for each person receiving salary. One pay-roll is prepared for each class of employees.
WSD 28	Trial Balance	A list of all the balances in the Nominal Ledger plus the balances of all Petty Cash and Main Cash Books.
WSD 29	Journal	A Book of Prime Entry in which Internal transfers are made. Where Accrual and Prepayments are effected, depreciation provided for, and where posting errors are corrected. All Journal Entries are posted to the Nominal Ledger.



Doc No	Name	Use
WSD 30	Job Register	A form prepared for each job carried out by O&M personnel giving details of man hours, materials used, and transport costs and specifying where the costs are to be charged.
WSD 31	Time Sheet	A form used to allocate working hours of O&M personnel and any other personnel whose time is divided between different Jobs.
WSD 32	Vehicle Monthly costing record	A form prepared monthly for each vehicle giving all costs in a month of that vehicle and calculating the cost per kilometre run by that vehicle during the month
WSD 33	Monthly O&M Report	A chart showing all the technical occurrences at the water supply in a month
WSD 34	Monthly Management Information and Statistics	A Chart prepared monthly giving a concise summary of all major items of Financial and Management information culled from the other documents produced during the month.
WSD 35	Fixed Assets Register	Register giving details of all Fixed Assets owned by the water supply. required for Audit Purposes.



Table 2: Expenditure clerical routines

Occurrence/Activity	Recording and Transactions to be carried out	Books/Documents used	Control and Payment Procedures	Officers Involved
1 At month end water supply prepares to pay staff salaries	<ul style="list-style-type: none"> i) Accounts Clerk prepares Payroll Register for the month ii) Cash requisition made to Treasurer iii) Management Committee approves requisition iv) Cash is withdrawn and record made in the cash/bank book v) Payment Vouchers signed by recipients vi) total amount paid entered in the debit side of the salaries account in the Nominal Ledger 	<ul style="list-style-type: none"> i) Personal record ii) Time sheet iii) Payroll Register iv) Requisition v) Minute Book vi) Cash/Bank Book vii) Cash Payment Vouchers viii) Nominal Ledger ix) Annual Budget 	<ul style="list-style-type: none"> i) Accounts Clerk prepares Payroll Register ii) Manager confirms it and forwards to the Management Committee for approval iii) Accounts Clerk prepares withdrawal cheque iv) Manager confirms it and forwards to the authorised signatories for signing v) Manager goes for cash at the bank vi) Accounts Clerk makes payments 	<ul style="list-style-type: none"> i) Manager ii) Accounts Clerk iii) Chairperson iv) Treasurer v) Management Committee
2 At the beginning of the month the water supply requires to replenish its stocks of materials for production	<ul style="list-style-type: none"> i) A Purchase Requisition is prepared for all items and materials needed ii) Cash is withdrawn and record made in the Cash /Bank Book iii) The Stores Clerk issues a Goods Received Note to acknowledge receipt of the stock iv) Stores Clerk uses the Goods Received Note, the receipts and invoices to update the bin cards v) Accounts Clerk records amount used for the purchases in the stock purchases account in the Nominal Ledger vi) A local purchase order would be used if credit purchases are to be made 	<ul style="list-style-type: none"> i) Purchase Requisition ii) Cash/Bank Book iii) Goods Received Note iv) Annual Budget v) Local purchase order vi) Purchases day book vii) Creditors analysis 	<ul style="list-style-type: none"> i) Stores Clerk forwards the Purchase Requisition to the Manager for approval ii) Manager forwards it to the Accounts Clerk for preparation of cash requisition for purchase of the stocks iii) Accounts Clerk returns the cash requisition with the Purchase Requisition attached to the Manager iv) Manager confirms and forwards it to the management committee for approval v) Accounts Clerk prepares withdrawal cheque vi) Manager confirms it and forwards to the authorised signatories for signing vii) Manager goes for cash at the bank and makes purchases viii) Stores Clerk receives materials and compares the receipts invoices and delivery notes with the purchase requisition he had raised 	<ul style="list-style-type: none"> i) Stores Clerk ii) Manager iii) Accounts Clerk iv) Chairperson v) Treasurer vi) Management Committee
3 Management Committee meets and is involved in the water supply activities	<ul style="list-style-type: none"> i) records of attendance and deliberations are recorded in the Minute Book ii) entry made in the cash/bank book iii) Payment Vouchers signed by committee members to acknowledge receipt of allowances iv) amount paid recorded in the committee sitting and duty allowances in the Nominal Ledger 	<ul style="list-style-type: none"> i) Minute Book ii) Cash/Bank Book iii) Payment Vouchers iv) Nominal Ledger v) Annual Budget 	<ul style="list-style-type: none"> i) Accounts Clerk makes a requisition for payment of the allowances ii) Manager confirms amounts with the bylaws and the budget and the minute book and approves payment iii) Accounts Clerk pays from the imprest account 	<ul style="list-style-type: none"> i) Manager ii) Accounts Clerk
4 Water Supply receives invoices from suppliers of various goods and services, eg, electricity and telephone bills, fuel, insurance, rent and rates, etc	<ul style="list-style-type: none"> i) value of each invoice credited to the creditors individual accounts and debited to the individual expense accounts in the Nominal Ledger ii) cheques for the payments are prepared and posted to the suppliers of these services iii) payments are recorded in the cash/bank book iv) these payments are credited to the individual creditors accounts in the Nominal Ledger to record clearance 	<ul style="list-style-type: none"> i) Cash/Bank Book ii) Nominal Ledger iii) Annual Budget 	<ul style="list-style-type: none"> i) Accounts Clerk checks and confirms that the goods and services are as ordered or expected and that the value is correct ii) Accounts Clerk prepares a payments requisition and forwards to the Manager for approval iii) Manager confirms amounts and compares with the monthly budget and forwards to the Management Committee for their approval iv) Accounts Clerk prepares payments cheques v) Manager confirms them and forwards to the authorised signatories for signing vi) Accounts Clerk posts the cheques to the suppliers 	<ul style="list-style-type: none"> i) Accounts Clerk ii) Manager iii) Chairperson iv) Treasurer v) Management Committee
5 Accounts Clerk exhausts his/her imprest and asks for replenishment	<ul style="list-style-type: none"> i) prepares a requisition for the imprest reimbursement ii) cash is withdrawn and record made in the cash/bank book iii) amount reimbursed posted to the imprest control account in the Nominal Ledger 	<ul style="list-style-type: none"> i) cash requisition ii) Cash/Bank Book iii) Nominal Ledger iv) Annual budget 	<ul style="list-style-type: none"> i) Accounts Clerk makes a request for imprest reimbursement and makes a full account for the exhausted one ii) Manager vouchers through the account before approving the reimbursement and forwards to the Management Committee for their approval iii) Accounts Clerk prepares the imprest cheque iv) Manager confirms them and forwards to the authorised signatories for signing v) Manager goes for cash at the bank and gives to the Accounts Clerk 	<ul style="list-style-type: none"> i) Accounts Clerk ii) Manager iii) Chairperson iv) Treasurer v) Management Committee
6 provision for bad debts	<ul style="list-style-type: none"> i) Raise Journal entries and debit provision for bad debts and credit debtors accounts in the Nominal Ledger with the amount of depreciation 	<ul style="list-style-type: none"> i) Journal ii) Nominal Ledger 	<ul style="list-style-type: none"> i) Ensure that all possible means for recovering the debts have been exhausted 	<ul style="list-style-type: none"> i) Accounts Clerk ii) Manager iii) Management Committee
7 Provision for depreciation of assets	<ul style="list-style-type: none"> i) Raise Journal entries and debit provision for depreciation and credit assets accounts in the Nominal Ledger with the amount of bad debts 	<ul style="list-style-type: none"> i) assets register ii) Journal iii) Nominal Ledger 	<ul style="list-style-type: none"> i) ensure that the date asset was acquired cost, economic life and rate of depreciation are correct 	<ul style="list-style-type: none"> i) Accounts Clerk ii) Manager
8 At month end the bank charges ledger fees, commission and interest	<ul style="list-style-type: none"> i) Enter amount of the ledger fees, commission and interest on the credit side of the Cash/Bank Book ii) Post the totals to their respective accounts in the Nominal Ledger 	<ul style="list-style-type: none"> i) Cash/Bank Book ii) Nominal Ledger 	<ul style="list-style-type: none"> i) Ensure that the bank has not overcharged on these accounts and the rates of interest are known 	<ul style="list-style-type: none"> i) Accounts Clerk ii) Manager
9 Water Supply decides to purchase a motor vehicle	<ul style="list-style-type: none"> i) Purchase Requisition is raised by the Accounts Clerk and approved by the management ii) Cheque is prepared approved and signed by the authorised signatories iii) Record is made in the Cash/Bank Book to record payment. Nominal Ledger iv) Details of the motor vehicle are entered in the Fixed Assets Register v) By use of the journal, credit fixed assets replacement reserve and debit motor vehicles account in the Nominal Ledger to reduce the reserve with the cost. 	<ul style="list-style-type: none"> i) Purchase Requisition ii) Minute Book iii) Cash/Bank Book iv) Nominal Ledger v) Assets register vi) Annual budget 	<ul style="list-style-type: none"> i) Refer to the Minute Book of the AGM or the Management Committee for the resolution authorising purchase of the motor vehicle ii) Confirm the proforma invoice from the selected motor vehicle dealer 	<ul style="list-style-type: none"> i) AGM ii) Management Committee iii) Manager iv) Accounts Clerk
10 O&M staff set out for repairs of the distribution lines	<ul style="list-style-type: none"> i) A Job card and a stores requisition is raised by the O&M personnel ii) Stores Clerk raises a stores issue note and updates his stock control cards iii) Accounts Clerk charges the repairs cost to the appropriate accounts in the nominal ledger by debiting repairs and maintenance account and crediting stock account 	<ul style="list-style-type: none"> i) Job card ii) Stores requisition iii) Stores issue note iv) Stock control card v) Nominal Ledger 	<ul style="list-style-type: none"> i) O&M staff raise and forward to the Manager the job cards and stores requisition for the repairs they intend to carry out ii) Manager approves and forwards to the Stores Clerk iii) Stores Clerk raises a stores issue note which is signed by the O&M staff as they collect the materials from the store iv) Stores Clerk uses the stores issue note to update his stock control cards by reducing the stocks with what he issued v) after repairs are complete, O&M return the job cards to the accounts clerk for charging the costs of the repairs to the appropriate accounts 	<ul style="list-style-type: none"> i) O&M staff ii) Stores Clerk iii) Manager iv) Accounts Clerk



Table 1- Income Clerical Routines

Occurrence/Activity	Payments Involved	Recording and Transactions to be carried out	Books/Documents used	Cash Custody	Officers involved
1 An applicant applies to join the Water Supply	Application Form fee	i) issued with a receipt ii) entry made in cash /bank book iii) member's name entered in the Applications Register iv) applicant given a water connection cost estimate	i) Application form ii) Receipt book iii) Cash/Bank Book iv) Applications Register v) Water connection cost estimate	total amount banked	i) A counts Clerk ii) Line Patroller
2 Applicant fulfils all conditions listed in the Application Form and is admitted as a member	i) water deposit ii) development labour fees iii) consumer meter iv) meter box v) penalty for new membership vi) cost of materials vii) installation labour fees	i) issued with a receipt for all the 7 payments ii) entry made in cash /bank book iii) member's name entered in the Master Register iv) member issued with a Consumer's Card v) separate accounts opened for water deposit, development labour fees, meter sales, meter box sales, penalty, sale of materials and installation fees in the Nominal Ledger to record receipts of these money. vi) account opened for member in the Meter Readings Book for recording monthly consumption vii) account opened in the Consumer Ledger for recording water billings and payments viii) instructions issued to O&M staff to install the new connection	i) Receipt book ii) Cash/Bank Book iii) Master register iv) Consumer Card v) Nominal Ledger vi) Meter Readings Book vii) Consumer Ledger viii) Job Register	total amount banked	i) Manager ii) Accounts Clerk iii) O&M staff
3 Monthly meter reading is done on the specified date		i) each member's meter reading is recorded in the Meter Readings Book ii) meter reading is also recorded in the Consumer Card at the meter site iii) consumption is determined by deducting current readings from the previous one and the bill determined	i) Meter Readings Book ii) Consumer Card iii) Register of meters not read		i) Meter Readers ii) Accounts Clerk
4 Bills are prepared and sent to consumers		i) water bills ii) information contained in the water bills is debited in the individual Consumer Ledgers iii) total amount billed to all consumers is debited to the water sales account in the Nominal Ledger	i) Water Bill books ii) Consumer Ledgers		Accounts Clerk
5 Consumers pay for water on the due date	i) water payments ii) standing charges iii) other payments	i) a receipt issued for total amount paid ii) cash receipt recorded in the Cash/Bank Book iii) each payment is credited individually in the Consumer Ledger iv) total amount paid by all consumers is credited to water sales, standing charges and other payments accounts in the Nominal Ledger	i) Receipt book ii) Cash/Bank Book iii) Consumer Ledger iv) Nominal Ledger	total amount banked	Accounts Clerk
6 Some consumers do not pay on the due date		names entered in the disconnection Register for immediate cut off	i) Debtors analysis ii) Disconnection register		i) Manager ii) Accounts Clerk
7 disconnections are effected		meter readings taken on the date of disconnection	Disconnection register		i) Manager ii) O&M staff
8 Disconnected consumers pay their debts	i) water payments ii) standing charges iii) other payments iv) reconnection fees	i) a receipt issued for total amount paid ii) cash receipt recorded in Cash/Bank Book iii) each payment is credited individually in the Consumer Ledger iv) total amount paid by all consumers is credited to the water sales, standing charges, other payments and reconnection fees accounts in the Nominal Ledger v) instructions for the reconnection of the consumer given to O&M staff	i) Receipt book ii) Cash/Bank Book iii) Consumer Ledger iv) Nominal Ledger v) Job register	total amount banked	i) Accounts Clerk ii) O&M staff
9 A member applies for his connection to be transferred	pays transfer fees	i) a receipt for the amount paid is issued ii) cash receipt recorded in Cash/Bank Book iii) amount is recorded in the transfer fees account in the Nominal Ledger iv) instructions for the transfer of the connection given to O&M staff	i) Receipt book ii) Cash/Bank Book iii) Nominal Ledger iv) Job register	total amount banked	i) Accounts Clerk ii) O&M staff
10 A member applies for his service line to be repaired	pays estimated repair fees	i) a receipt for the amount paid is issued ii) cash receipt recorded in Cash/Bank Book iii) amount is recorded in the consumer repairs fees account in the Nominal Ledger iv) instructions for the repair of the consumer's line given to O&M staff	i) Receipt book ii) Cash/Bank Book iii) Nominal Ledger iv) Job register	total amount banked	i) Accounts Clerk ii) O&M staff
11 A person donates money to the water supply	pays cash or by cheque	i) a receipt for the amount donated is issued ii) cash/cheque receipt recorded in Cash/Bank Book iii) amount is recorded in the donations account in the Nominal Ledger	i) Receipt book ii) Cash/Bank Book iii) Nominal Ledger	total amount banked	i) Manager ii) Accounts Clerk
12 Members contribute money for capital development	they pay cash	i) a receipt for the amount contributed is issued ii) cash receipt recorded in Cash/Bank Book iii) amount is recorded in the capital contributions account in the Nominal Ledger iv) amount paid by each member is recorded in the capital contributions register	i) Receipt book ii) Cash/Bank Book iii) Nominal Ledger	total amount banked	Accounts Clerk



.....**WATER SUPPLY/PROJECT**.....

MEMBERSHIP APPLICATION FORM

OLD TEE HOLDER/NEW APPLICANT

TO THE SECRETARY,
P O BOX
LIMURU

A) PRIVATE HOUSEHOLD MEMBERSHIP

NAME ID NO:.....

ADDRESS

PLOT L/R NO..... SECTION.....

PURPOSE FOR WHICH WATER IS REQUIRED

(i) LIVESTOCK () TYPE..... No.

(ii) DOMESTIC () NO OF DEPENDANTS..... OTHER PURPOSES.....

(iii) TOTAL ESTIMATE OF DAILY WATER REQUIREMENTSDRUMS

B) COMMERCIAL MEMBERSHIP

NAME OF BUSINESSTYPE OF BUSINESS

POSTAL ADDRESS

PLOT L/R NO..... SECTION.....

LICENCE NO (Photo Copies Required)

Purpose for which water is required

ESTIMATE OF DAILY WATER REQUIREMENTSDRUMS

C) INSTITUTIONS MEMBERSHIP

NAME OF INSTITUTIONTYPE OF INSTITUTION

POSTAL ADDRESS

LOCATION. PLOT L/R NO..... SECTION.....

LICENCE NO. CERTIFICATE NO (Photo Copies Required)

Purpose for which water is required

ESTIMATE OF DAILY WATER REQUIREMENTSDRUMS

D) I have agreed to comply with the By-laws and any other rules made by the Management Committee from time to time I guarantee the accuracy of the information given above.

Signature of Applicant ID No

For Official use only

ApprovedChairmanSecretary.....
Signature Signature

- | | | |
|----------|----------------|----------|
| REJECTED | <u>REASONS</u> | 1) |
| | | 2) |
| | | 3) |
| | | 4) |
| | | 5) |

WATER CONNECTION ESTIMATE

NAME OF APPLICANT _____

P.O. Box _____

CONNECTION No: _____

METER NUMBER: _____

SIZE OF METER. _____

ESTIMATE: _____

MATERIALS: _____

GIVE DETAILS:

	Shs.	Cts.
LABOUR		
INCIDENTALS		
TOTAL CONNECTION ESTIMATE		





.....WATER SUPPLY/PROJECT

WSD 8

WATER BILL		No. _____
P.O. Box _____		
To _____		
Address _____		
Account No _____	Connection No. _____	
Meter No _____	Meter Reading Date _____	
Bill Date _____		

Account Code	Detail		Amount	
	Meter Readings		Consumption	
	Previous	Current	M ³	
	WATER consumed			
	METER RENT			
	WATER DEPOSIT			
	RECONNECTION FEES			
	LABOUR FOR NEW CONNECTIONS			
	SUNDRIES			
	Total Current Month			
	Balance Brought Fwd.			
	Amount Now Due			

NOTE:-

No receipt will be recognized except on official form.
 This office must be notified in writing of any change in tenancy or the vacation of any premises supplied with water, otherwise the last known occupier will be held responsible for all charges until the connection is cut off

Water Supply Annual Budget Form

A/c Code	Title	Amount
Income		
01-100-1	Water Rate	
01-100-2	Meter Rent	
01-100-3	Re-connection Fee	
01-350-2	New connections charges	
01-150	Standing charges	
01-200-1	Consumer Repair Charges	
01-200-2	Services Rendered to other water supplies	
01-360-1	Miscellaneous Charges	
01-300-1	Water Deposits	
01-300-2	Interest on Bank Deposits	
01-200-3	Transfer of connection	
01-250-1	Sale of Meters	
01-250-2	Sale of Meters boxes	
01-250-3	Sale of Pipes	
01-250-4	Sale of Materials	
01-350-1	Application fee	
01-350-2	Labour charges	
01-350-3	New connection charges	
01-360-2	Fines and penalties	
01-360-3	Visitors charges	
01-380	Donations account	
01-400	Capital Contributions account	
Expenditure	Accounts	
02-500-1	Personal Emoluments	
02-500-7	Casual wages	
02-500-2	Gratuity and Pension Contributions	
02-500-3	House Allowances	
02-500-4	Other Personal Allowances	
02-500-5	Passage and Leave Expenses	
02-500-6	Medical Claims	
02-520	Transport Operating Expenses	
02-520-1	Transport of labour and materials,	
02-520-2	Allowances for Bicycles and Motor Cycles	
02-520-3	Motor Vehicle fuels, oils and lubricants, tyres, tubes, insurances, road Licences, Driver's Licences, etc	
02-520-4	Repairs, servicing and maintenance of vehicles	
02-525	Traveling and Accommodation Expenses	
02-525-1	Bus fares	

02-525-2	Hotel accommodation expenses	
02-525-3	Lunches	
02-525-4	Vehicle mileage allowances	
02-530	Telephone and postage Expenses	
02-535	Official Entertainment	
02-540-1	Electricity, Water and Conservancy	
02-560-1	Committee siting allowances	
02-560-2	Committee duty allowances	
02-570	Purchase of Supplies for Production	
02-570-1	electricity	
02-570-2	fuel,oil, and lubricants,	
02-570-3	chemicals	
02-570-4	filter materials	
02-580-1	General office expenses	
02-580-2	Uniforms and clothing	
02-580-3	Shows and exhibitions	
02-580-4	Cleaning and laundry expenses	
02-580-5	Office tea expenses	
02-590	Stationery and printing	
02-590-1	Office stationery	
02-590-2	library materials	
02-595	Financial records and books	
02-550	Hiring, Rent and Rates	
02-550-1	Office rent	
02-550-2	Land rent	
02-550-3	Rates	
02-600	Miscellaneous and other Expenses	
02-615	Bank charges and interest	
02-615-1	Ledger fees	
02-615-2	Commission	
02-615-3	Interest	
02-620	Maintenance of Plant, Machinery and Equipment	
02-630	Maintenance of Land and Buildings	
02-640	Maintenance of Water Supply and Sewerage	
02-650	Maintenance of Access Roads	
02-660	Training of Staff	
02-675	Provision for bad debts	
02-680	Provision for Depreciation	
02-680	Depreciation	

PETTY CASH PAYMENT VOUCHER No. _____

_____ Paid to _____

Account No.	Description	Amount	
		Shs.	

Authorised by _____ Date _____

PETTY CASH PAYMENT VOUCHER No. _____

_____ Paid to _____

Account No.	Description	Amount	
		Shs.	

Authorised by _____ Date _____

.....WATER SUPPLY/PROJECT

Document No. 37

WSD 17

STORES OR PURCHASE REQUISITION			No.
To _____ Stores	From _____ Water Supply	Date _____	
Please Supply the Following Goods/Services Required for job No. _____			
Part No.	Description	Quantity Required	Quantity Issued
Authorised by _____ Issued by _____ Order No. _____			

STORES OR PURCHASE REQUISITION			No.
To _____ Stores	From _____ Water Supply	Date _____	
Please Supply the Following Goods/Services Required for job No. _____			
Part No.	Description	Quantity Required	Quantity Issued
Authorised by _____ Issued by _____ Order No. _____			

STORES OR PURCHASE REQUISITION			No.
To _____ Stores	From _____ Water Supply	Date _____	
Please Supply the Following Goods/Services Required for job No. _____			
Part No.	Description	Quantity Required	Quantity Issued
Authorised by _____ Issued by _____ Order No. _____			

GOODS RECEIVED NOTE			No.		
Item	Part No.	Description	Received	Rejected	Accepted
Received From		Date			
Advice No.	Received by	Our Order No.			

GOODS RECEIVED NOTE			No.		
Item	Part No.	Description	Received	Rejected	Accepted
Received From		Date			
Advice No.	Received by	Our Order No.			

STORES OR PURCHASE REQUISITION			No.
To _____ Stores		From _____ Water Supply	Date _____
Please Supply the Following Goods/Services Required for job No. _____			
Part No.	Description	Quantity Required	Quantity Issued
Authorised by _____ Issued by _____ Order No. _____			

STORES OR PURCHASE REQUISITION			No.
To _____ Stores		From _____ Water Supply	Date _____
Please Supply the Following Goods/Services Required for job No. _____			
Part No.	Description	Quantity Required	Quantity Issued
Authorised by _____ Issued by _____ Order No. _____			

STORES OR PURCHASE REQUISITION			No.
To _____ Stores		From _____ Water Supply	Date _____
Please Supply the Following Goods/Services Required for job No. _____			
Part No.	Description	Quantity Required	Quantity Issued
Authorised by _____ Issued by _____ Order No. _____			

11

12

.....WATER SUPPLY/PROJECT

TIME SHEET

WSD 31

NAME _____ PERNNEL NO. _____

DATE _____

Hours	Job Description
0800-0900	
0900-1000	
1000-1100	
1100-1200	
1200-1300	
1300-1400	
1400-1500	
1500-1600	
1600-1700	
1700-1800	
1800-1900	
1900-2000	
2000-2100	
2100-2200	
2200-2300	
2300-2400	
0001-0002	
0002-0003	
0003-0004	
0004-0005	
0005-0006	
0006-0007	
0007-0008	
Total No. of Hours	

CONFIRMED BY _____ Signature _____ Date _____



VEHICLE MONTHLY COSTING RECORD

Registration No. _____ Make _____ Year _____ Capacity _____ Colour _____

Book Value at start of Financial Year Shs _____ Speedo meter Reading _____

Record & Costing for the Month of _____ Driver _____

Speedo Reading Start	End	Km.	Cum. Km.		
ITEM	MONTH TOTAL	CUM - TOTAL	Cost per KM THIS MONTH	Cost per KM CUMULATIVE	
PETROL, OIL & LUBRICATS					
TYRES & TUBES					
REPAIRS & MAINTENANCE					
LICENCES & PERMITS					
INSURANCE					
DEPRECIATION					
TOTALS					

Comments

Prepared by _____ Date _____

10

10

11

11

11

11