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**MANUAL ON THE FINANCIAL
MANAGEMENT OF THE
COMMON FUND OF INTER
LOCAL HEALTH ZONE (ILHZ)**

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**MANUAL
ON THE FINANCIAL MANAGEMENT
OF THE INTER-LOCAL HEALTH ZONE
COMMON FUND**

June 2002

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ACRONYMS

ADB	Accredited Depository Bank
AO	Accountable Officer
BHS	Barangay Health Station
BIARSP	Belgian Integrated Agrarian Reform Support Programme
CA	Cash Advance
CHD	Center for Health Development
COA	Commission on Audit
CVGLJ	Canlaon-Vallehermoso-Guihulngan-La Libertad- Jimalalud
DECS	Department of Education, Culture, and Sports
DOH	Department of Health
DP	Deposit Slip
ILHZ	Inter-Local Health Zone
IPHO	Integrated Provincial Health Office
IRA	Internal Revenue Allotment
LDIP	Local Development Investment Plan
LGU	Local Government Unit
NGO	Non Government Organization
OR	Official Receipt
PD	Presidential Decree
PDAP	Priority Development Assistance Project
PHO	Provincial Health Office
PO	People's Organization
RHU	Rural Health Unit
TMC	Technical Management Committee
SEC	Securities & Exchange Commission

Part I - INTRODUCTION

WHAT IS THE INTER-LOCAL HEALTH ZONE?

One of the inadvertent results of the devolution brought about by the local government code of 1991 is the fragmentation of health care delivery. Hospitals were managed by the Department of Health (DOH) and provincial local government units (LGUs), rural health units (RHUs) by municipal LGUs.

There were coordination and integration problems. There was a breakdown in the referral system, health management information system, training and human resources development, and drug procurement system.

The Inter-Local Health Zone (ILHZ) became a strategic solution for inter-LGU cooperation through the strengthening of the district health system in a devolved setting.

The ILHZ is the nationally endorsed unit for the local health service management and delivery in the Philippines. Each ILHZ is composed of a cluster of municipalities having a defined population within a defined geographical area with a "central" (core) referral hospital and a number of primary level facilities such as RHUs and the Barangay Health Stations (BHS). In addition, it includes all other major stakeholders and sectors involved in the delivery of health services or promotion of health, including community-based NGOs and the private sector (local and foreign).

WHAT IS THE LEGAL BASIS IN ESTABLISHING THE ILHZ?

- Article X, Section 13 of the 1987 Constitution states "local governments may group themselves, consolidate or coordinate their efforts, services and resources for purposes commonly beneficial to them."
- Section 33 of the Local Government Code of 1991 states that "local governments through appropriate ordinances group themselves, consolidate and coordinate their efforts, services and resources for the purpose beneficial to them. In support of such undertaking the local government involved, upon approval of the Sanggunian concerned after public hearing conducted for the purpose, contribute funds, real estate, equipments and other kinds of property and appoint personnel under the terms and

conditions may be agreed upon by the participating local units through a memorandum of agreement.”

HOW IS AN ILHZ MANAGED?

A functional ILHZ has governance structure in their boards and management committees, integrated plans, referral system, information system, health financing, and cost sharing.

ILHZ Board

The ILHZ Board is a voluntary, self-imposed structure of the cooperating LGUs that is tasked to provide complementary policy advice to the health units of the area and to facilitate inter-LGU cooperation and coordination.

ILHZ Board Composition

Since the ILHZ is a voluntary partnership, the agreeing partners have absolute discretion over management structure and board membership. Members that are common to all the study areas are:

- Mayors of the component municipalities
- Chief of the referral hospital
- Municipal health officers
- Representative from the Sanggunian Panlalawigan
- Representatives from NGOs active each ILHZ's health sector
- Representatives from the DOH

Other members that may be included are:

- Sanggunian Bayan member
- Public Health Office (PHO) representative
- Private medical sector
- Liga ng mga Barangay chairpersons
- Health insurance representative
- Representative from the patients

Technical Management Committee (TMC)

The ILHZ TMC provides technical advice and recommendations to the board and catchment facilities. It is responsible for the supervision of the daily operations of the health services and oversees the hospital and public health functions, together with the activities of the NGOs, the private sector, and other government agencies. The committee is

composed of the technical staff from the RHUs and hospital personnel, namely, (a) CHIEF OF THE HOSPITAL;(b) MUNICIPAL HEALTH OFFICER OF THE PARTICIPATING LGUs; (C) CHIEF NURSE; (d) PHARMACIST; (e) representative of each category of RHU personnel. The membership varies according to specific needs. Thus, in some areas, representatives from the DOH, IPHO, NGO, and patients may be included.

One of the mechanisms of cost sharing is the creation of a common fund for the ILHZ operations and service delivery.

WHAT IS THE ILHZ COMMON FUND?

The Common Fund is the collected fund from various sources including but not limited to the participating LGUs. The Common Fund is to be used for the ILHZ operations and service delivery depending on the agreement of the board/management.

The contribution of each stakeholder may be determined using the following options:

- A fixed amount to be collected equally among the covered municipalities on annual basis;
- A fixed amount to be shared among the covered municipalities, with a bigger share of the municipality where the core hospital is located and equal lower share for the rest of the catchment municipality;
- A fixed amount to be proportionately shared by covered municipalities based on their population;
- A fixed amount to be proportionately shared by covered municipalities based on a historical two years number of patients served by each municipality;
- A certain percentage of the municipalities' income during the year; and
- Shares based on the class of municipality i.e., first and second class to contribute more than the lower class.

Part II – GOVERNANCE STRUCTURES OF THE COMMON FUND

The management of the common fund will depend on the agreement of the participating LGUs. In general, it is the ILHZ Board that decides on the uses of the fund. In return, the management group shall implement the ILHZ Board's decisions. But the actual handling and management of the fund can vary from ILHZ to ILHZ.

Options in handling the ILHZ Common Fund include:

- **ASSIGNMENT TO A PARTICIPATING LGU** – The ILHZ may assign an LGU to be the legal holder of the common fund, in which case, the LGU deposits the Common Fund in the trust fund.

In Sta. Bayabas Inter-LGU Health System, the three participating LGUs agreed that the common fund be deposited with the lead LGU, where the core hospital is located, which is Bayawan. Separate books of accounts were maintained for the common fund and financial records are kept for monitoring and audit purposes.

- **ASSIGNMENT TO A NON-STOCK, NON-PROFIT CORPORATION OR FOUNDATION** – The ILHZ may be a Securities and Exchange Commission (SEC) registered entity represented by a Board of Trustees (foundation)/Director (corporation) which authorizes its designated officers to deposit to and withdraw from the Common Fund.

The common fund of the CVGLJ district was derived from Belgian Integrated Agrarian Reform Support Programme (BIARSP) funds and contributions from participating municipalities. The CVGLJ district has been registered with the Securities and Exchange Commission. The board maintains the common fund and has opened an account for the said fund. The board decides how the funds are to be disbursed. The Health District Board holds office in the second floor of a market area, separate from the district hospital (Gov. William Villegas Memorial Hospital).

- **ASSIGNMENT TO THE ILHZ BOARD** – As agreed upon by the participating municipalities, deposit of the common fund may be under the ILHZ Board.

The MOA may specify the ILHZ Board as the authority behind the handling and management of the ILHZ common fund. The funds shall be deposited and disbursed in accordance with the integrated work and

financial plan. The ILHZ Health Board shall maintain separate books of account and keep financial records for monitoring and auditing by an authorized agency. If the board shall be assigned with the handling and management of the fund, then an accountant/budget officer shall be commissioned to undertake the monitoring of the collection and utilization of the fund. It is preferable that the budget officer be drafted from the cooperation pool (i.e., LGU coordinator) and be commissioned on a per diem basis.

As a concrete example of the guiding principles for the management of the ILHZ fund, presented herewith are the guidelines formulated by the Sta. Bayabas Inter-LGU Health System and the Bindoy-Ayungon-Tayasan ILHZ:

- The LGUs shall establish a Common Health Fund which may include: Individual LGU Appropriation to the Trust Fund, Drugs Revolving Fund, Health Insurance Fund, DOH Assistance to LGU Fund, Community Health Care Financing Fund, and other private sector contributions.
- All funds shall be deposited as "Trust Funds" exclusively for the use of the ILHZ. The ILHZ "Trust Funds" must be disbursed based on the Integrated Work and Financial Plan.
- These funds shall be transferred by the participating LGUs and must be deposited under one collaborating LGU for convenience and practical purposes, as agreed upon by the participating LGUs.
- The common fund shall be managed by the ILHZ Fund Committee, designed and established by the ILHZ/District Health Board in accordance with Philippine laws.
- The ILHZ/District Health Board members, upon presentation of the ILHZ Work and Financial Plan, shall agree upon the amount and frequency of appropriation to the "Trust Fund". However, the individual LGU appropriation shall be commensurate to the individual LGU financial capacity.
- The ILHZ through the ILHZ/District Health Board and the TMC, shall:
 - a) Maintain separate books of account to record all sources and disbursements of funds for the system;
 - b) Keep the financial records from the date of signing of contract for auditing purposes; and

- c) Make available all the financial records at any time for monitoring and auditing purposes by a legally authorized agency.
- The TMC shall submit a financial statement including a narrative report, the utilization of the revolving fund, every month commencing on the date of its implementation. The said reports shall be submitted to the ILHZ/District Health Board and Provincial Health Board not later than two (2) weeks after the end of each month.

Another example essaying the fund management of the common fund is the CVGLJ Inter-LGU Health System model in Negros Oriental. This has been registered with the Securities and Exchange Commission (SEC). The Board has opened a bank account for the common fund. In its Articles of Incorporation, fund management specified the following:

- The association shall derive from the Provincial and Municipal; LGUs funds which shall constitute a common trust fund to include: the individual LGUs' appropriation to the Trust Fund, the Drug Revolving Fund, the Health Insurance Fund, the DOH Fund, and private donations.
- All funds shall be deposited as trust funds exclusively for the use of CVGLJ Inter-LGU Health Zone, Inc.
- The common trust fund shall be managed by the Board of Trustees in accordance with the existing accounting procedures and Commission on Audit rules and regulations.
- Disbursements – Withdrawal from Health Zone Funds, whether by check or any other instrument, shall be signed by the Treasurer and/or President. If necessary, the Board of Trustees may designate other signatories.

Part III – MANAGEMENT OF THE COMMON FUND

SOURCES OF FUNDS

The main sources of funds for the ILHZ include:

<u>Regular budget of LGUs for hospital and 20% development fund</u>	Comes from the portion of the Internal Revenue Allotment (IRA) given to local governments. Part of this budget is given by the LGU for the RHUs and hospital. The ILHZ Board may establish a common health fund from this.
<u>Augmentation and subsidies from DOH/CHD</u>	Comes from the DOH's central office or the CHD. Foreign funding may also be routed from the Bureau of International Health Cooperation.
<u>Congressional Funds</u>	Comes from the Priority Development Assistance Project (PDAP) fund of the members of the houses of Congress.
<u>Health Insurance Scheme through PhilHealth Plus</u>	May be used by enrolling both indigents and self-employed groups into PhilHealth. Results to cost recovery of the budget for health in the hospitals and RHUs and increases access of health services by the poor.

The ILHZ scheme ensures the existence of cost sharing among its member LGUs. Poorer LGUs benefit from the help of the other members financially capable to attend to the health problems of their communities. In addition, there is a sharing of manpower and expertise for the improvement of health facilities and the provision of quality service to the people. As a consequence, there is a greater possibility of generating external funding and sustainability of health programs.

Other Sources of Funds:

- Cost Sharing – member LGUs raise funds from their own budgets and other funds and pool them together to address priority health problems plus those that may arise during disasters and calamities

- Revenue Enhancement – done by hospital and RHUs through proper rate settings of services, effective billing and collection that result to self-maintaining facilities
- Utilization of Income - hospitals and RHUs use own incomes (may come from patients and insurance companies) as contribution for the budget for operation and to improve facilities and services
- Community-based Health Insurance – developed by different groups (NGOs, POs, and LGUs)
- Bulk or Pooled Procurement System of Drugs and Supplies – lowers costs allowing for a greater quantity of drugs to be available for the same budget. This way hospital pharmacist can increase their income.
- Grants – may come from foreign, local, and private sources
- Cooperatives – established by communities. May cover health care needs of the members or create a health fund for community-based health programs
- Fund raisings – conducted by private local and overseas groups for specific health projects like construction or renovation of clinics, hospital rooms, and wings and for the donation of medical equipment and supplies

USES OF FUNDS

As a general rule, funds are used for the purpose they have been appropriated or intended for. Under the ILHZ, funds are needed for the following purposes:

- | | |
|--|---|
| <p>1. Regular Operation of the ILHZ</p> | <p>This covers personnel services requirement for salaries and wages and other compensation of personnel, maintenance and other operating expenses such as traveling expenses, office supplies, gasoline, oil, communications, repair and maintenance of government facilities and transportation services, water, illumination and power services, and other services.</p> |
| <p>2. Purchase of Drugs and Medicines</p> | <p>As this corners the bulk of the ILHZ's budget, this is separately managed and accounted for apart from the regular supplies and materials</p> |

under the Standard Chart of Accounts.

- 3. Hospital Services**

Hospital service to patients is another major area where district health funds are used. It is also the area where hospital income is generated.
- 4. Health Development Programs**

These are included in the Local Development Investment Plan (LDIP) of a certain local government unit. Funds for these programs are normally sourced from the LGU's 20% development fund, but most of these are funded through foreign loans or grants, subsidies from the national government, NGOs, and the private sector.

BUDGET PREPARATION

The word budget is derived from the French word "baguette", which means a small bag or pouch used to carry items of value needed for daily business. In a nutshell, a budget is a comprehensive financial plan based on expected outputs of the health system and predetermined goals and policies for further operations. A budget is a very important tool for management to identify activities, which will give the greatest community benefit, and for guiding the health system to achieve and implement these identified activities.

A budget has five aspects, which every administrator must consider.

- 1. Planning**

Budgeting is the conversion of the management's plan into pesos. Management must consider the expense requirements, revenue-generating potential, capital needs, and cash flows.
- 2. Organizing**

Management must organize or allocate its resources such that the greatest total benefit is obtained.
- 3. Coordinating**

The budget process provides the vehicle for setting up common goals and communicating those goals between and within operating programs.
- 4. Controlling Operations**

The budget provides the basis for management control, for it establishes the

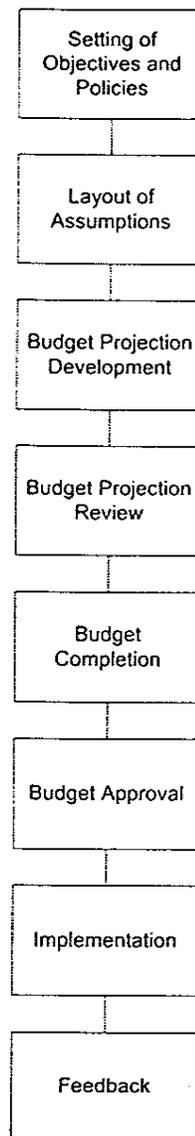
standard (the expectation) to which actual performance must be compared in order to identify out-of-control operational processes.

5. Motivating Employees

The budget process presents management with the opportunity to apply both positive and negative employee stimuli. For the most part, the stimuli produced by the control functions of the budget are negative: incorporating real or imagined incentives to not exceed the budget. For this reason, management must administer the budget with a sense of caution and humility. Positive motivation is done by allowing subordinates to participate in the budget decision-making process. Full cooperation among the participants in budget preparation should be required to achieve a realistic budget plan.

However, this text presents the major items that administrators must consider in preparing the budget.

Figure 1: General Budget Process Layout



- Based on the experience of the municipalities of Sta. Catalina, Bayawan, and Basay, full cooperation is a must. Active community participation is very important in developing a relevant budget. The integrity of the budget is partly determined by the extent and quality of participation of the people and the community. The budget is consolidated at the ILHZ level but actually starts from the BHS.

- A budget must be developed from the “bottoms-up” approach. This means that each participant in the ILHZ must prepare a realistic budget to be reviewed and consolidated at the ILHZ level.
- In budget preparation (at any level), it is very important to study the past trends in terms of revenues and collections, expenses, operating programs, etc. The trends analyzed from these items will serve as bases for the assumptions to be used in the new budget.
- Aside from the trends in the movements of the major items previously identified, the budget planner must also be aware of any item that could have an impact on collections and expenses. Some of these items are:
 1. Increase or decrease in patient numbers
 2. Increase or decrease in service rates
 3. Increase or decrease in supplies costs
 4. Increase or decrease in interest cost on investments and debts (interest rate and loan rate)
 5. Movements in manpower
 6. Increase or decrease in supplies volume
 7. Increase or decrease in other operating costs
 8. Additional health programs to be implemented; existing health programs to be scrapped, etc.

BUDGET REPORTING

Now that the ILHZ's budget is laid out, the managers must retain their managerial perspective by keeping the budget process adaptable to change and flexible in response to changing needs. To be able to do this, the managers must always be kept informed.

- If management is to have access to important and correct information, it must plan a flow of information on the basis of daily, monthly, and possibly quarterly inputs so that comparisons with the approved budgets as well as with previous periods can be charted and trends can be projected.
- Budget reporting is an important part of operation planning and control because it makes sure that actual performances (based on regular statistical/budget reports) can be compared to the budget projections.
- Based on the budget report, objectives, policies, assumptions, and estimates can be reviewed and changed, if applicable.

- Annual summary reports will evolve from the daily, monthly, and quarterly reports. The annual reports will show performance of the ILHZ expressed in actual expenses, revenues, capital spending, and work outputs compared to estimated figures. These reports along with the balance sheet of assets and liabilities are the basic data on which management policy decisions can be made.
- Some the statistical/budget reports that management may require:
 1. Monthly/quarterly expense report
 2. Monthly/quarterly revenue report
 3. Monthly/quarterly cash flow report (i.e., actual collections and expenses versus projected figures).

Part IV – ACCOUNTING POLICIES AND GENERAL GUIDELINES

FUNDAMENTAL PRINCIPLES

1. The transactions and operations of the ILHZ shall be governed by the policies, rules, and regulations set forth in the Government Auditing Code of the Philippines (PD 1445). To wit:
 - No money shall be paid out of any public treasury or depository except in pursuance of an appropriation or other specific statutory authority.
 - Government funds or property shall be spent or used solely for public purposes.
 - Trust funds shall be available and may be spent only for specific purposes for which the trust was created or received.
 - Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the ILHZ.
 - Disbursement or disposition of government funds or property shall invariably bear the approval of the proper officials.
 - Claims against government funds shall be supported with complete documentation.
 - All laws and regulations applicable to financial transactions shall be fully adhered to.
 - Generally accepted accounting principles and practices, as well as sound management and fiscal administration shall be observed, provided that they do not contravene existing laws and regulations.
2. The highest standard of honesty, objectivity, and consistency shall be observed in the keeping of accounts to safeguard against inaccurate and misleading information [Section 111(2) PD 1445].

FISCAL PERIOD

For accounting and reporting purposes, the official fiscal year of ILHZ shall be the period beginning with the first day of January and ending with the thirty-first (31st) day of December of each calendar year.

ACCOUNTING SYSTEM¹

1. The accounting system shall provide financial information that is useful in:
 - Assessing the stewardship and other aspects of the performance of public officials for which they are accountable;
 - Planning, program selection and budgeting, and;
 - Making decisions involving the effective and efficient allocation and control of government resources.
2. The accounting system shall ensure to satisfy the accountability requirements of those responsible for the conduct of government activities and operations and that controls for government resources are in place.
3. All financial transactions should be supported by sufficient, formal and written documents containing a complete and accurate description of the transactions, its peso amounts, its authorization, and other substantiating authorization.
4. The accounts shall be kept in such detail as is necessary to meet the needs of the corporation and at the same time be adequate to furnish the information needed by fiscal entities of the government.
5. Financial transactions and operations shall be recorded in conformity with generally accepted accounting principles and in accordance with pertinent laws and regulations.
6. Financial transactions shall be recorded in appropriate journals and in a general ledger. Subsidiary records should be kept when necessary.

¹ For a detailed accounting procedure for an ILHZ and for commonly used government forms, refer to Chapter 5 of the Financial Management System for District Health System published by the Department of Health in December 1999.

7. Accounting personnel must be properly trained, experienced, and capable of communicating to the users of financial data.

RECEIPTS AND COLLECTIONS

1. Except as otherwise provided by law or competent authority, all moneys officially received by the ILHZ in any capacity or upon any occasion must be accounted for as corporate/government funds.
2. Collection of revenues and other receipts may be done by the cashier, or regularly appointed or duly designated collecting officers who shall be bonded in accordance with the rates prescribed in Treasury Order No. 01-95 dated December 5, 1995.
3. The cashier/collecting officer shall issue an official receipt for all collections received from whatever source.

EXPENDITURES

1. Adherence to government laws and regulations on expenditures of government funds shall be strictly observed. Section 103 of PD 1445 provides that expenditure of government funds or uses of government property in violation of laws and regulations shall be a personal liability of the official or employee found to be directly responsible therefore.
2. All expenditures of the ILHZ shall be supported by complete documentation and properly approved by authorized officials.
3. All expenditures shall comply with accounting and auditing rules and regulations.
4. All expenditures during the year shall be taken up in the accounts of that fiscal year.
5. Subsidiary ledgers shall be maintained for payables and other expenditures, which are deemed necessary.

FINANCIAL REPORTING

1. Financial statements/reports are the means by which the information accumulated in the financial accounting process is periodically communicated to management and other users of the report.

2. Section 121 of PD 1445 provides:

- The financial reports prepared by the agencies shall comply with the specific requirements of applicable laws and regulations as to nature, accounting basis, content, frequency and distribution as well as with all applicable restrictions pertaining to information that is classified for national security.
 - The financial statements shall be based on official accounting records kept in accordance with law and the generally accepted accounting principles and standards.
3. The financial reports shall be prepared from a trial balance and from the ILHZ accounting records. Generally, the financial reports consist of the Balance Sheet, Statement of Income & Expenditure, Statement of Funds Sources and Utilization and the notes/disclosures to the financial statements. Other statements/reports may be required by management and by government fiscal agencies.
- *Balance Sheet* - shows the assets, liabilities, and equity or net worth of the ILHZ. It gives information on the financial position of the ILHZ as of a given date.
 - *Statement of Income and Expenditure* - shows a summary of revenues and expenses including gains and losses from extraordinary items and other receipts. The purpose of this statement is to communicate the results of operations of the corporation for a given period.
 - *Statement of Funds Sources and Utilization* - shows the cash received minus the cash outflows or payments/disbursements made by the ILHZ. It thus provides the net cash generated from operations for a given period.
 - *Notes to Financial Statements* - contains the explanation attached or made part of the financial statements containing the facts and other details or additional information necessary to better understand the financial statements.
4. Fair presentation and reliability of financial statements is a responsibility of management. This responsibility is discharged by applying generally accepted state accounting principles and pertinent laws appropriate to the ILHZ operations, maintaining

effective system of internal control, adhering to the prescribed chart of accounts, and preparing adequate financial statements.

Financial statements shall be prepared in accordance with the following standards of financial reporting:

- *Fairness of presentation* - refers to overall propriety in disclosing financial information. Full disclosure in financial aspects requires observance of the following standards of reporting:
 - All essential facts relating to the scope and purpose of each report and the period of time involved shall be included and clearly displayed.
 - All financial data presented shall be accurate, reliable, and truthful. The requirement for accuracy does not rule out the inclusion of reasonable estimates when the making of precise measurements is impracticable, uneconomical, unnecessary, or conducive to delay. All appropriate steps should be taken to avoid bias and presentation of misleading information.
 - Financial reports shall be based on official records maintained under an adequate accounting system that produces information objectively, disclosing the financial aspects of all events or transactions taking place. Where financial data or reports based on sources other than the accounting systems are presented, their basis should be clearly explained.
 - The form, content, and arrangement of each report shall be as simple as possible and designed to clearly communicate significant financial information to the users of the report.
 - The amount of detailed information shown including explanatory notes as to unusual items, graphic presentations where appropriate and accompanying interpretative comment, shall be sufficient to provide a clear and competent report. However, unnecessary detail shall be avoided, particularly where the effect of this inclusion would be to obscure significant financial data.

- Financial performance in relation to statutory or other limitations prescribed by higher authority shall be specifically reported.
- The financial data reported shall be derived from accounts that are maintained in all material respects on a consistent basis from period to period; material changes in accounting policies or methods and their effect shall be clearly explained.
- Consistent and non-technical terminology shall be used in financial reports to promote clarity and usefulness.
- *Compliance with prescribed requirements.* Financial reports prepared by government entities must comply with:
 - The specific requirements of applicable laws and regulation as to nature, accounting basis, content, frequency and distribution.
 - All applicable restriction pertaining to information that is classified for national security purposes.
- *Timeliness.* All needed reports must be produced promptly to be of maximum usefulness. Reports should not be delayed and cost and efforts should not be incurred to produce relatively minor data.
- *Usefulness.* Financial reports should be carefully designed to present information that is needed by and useful to the persons to whom the reports are sent.

AUDIT OF THE COMMON FUND

Management of ILHZ funds must abide with sound accounting procedures and with the Commission on Audit (COA) rules and regulations. The provincial auditor may assign a representative of the COA to audit the ILHZ common fund.

ACCOUNTING RECORDS DISPOSAL

1. All accounting records shall be disposed in accordance with the guidelines prescribed under DECS Department Order No. 13-A dated February 3, 1988.

2. The holding period of accounting records as provided in the General Record Disposition Schedule of the DECS Order are as follows:

- Vouchers and reports - ten (10) years provided they are post-audited, finally settled, and not involved in any case.
- Books of Accounts (Journals and Ledgers) and Financial Statements - disposal is not authorized.

ILLUSTRATIVE ACCOUNTING ENTRIES

<i>Transaction</i>	<i>Account Code</i>	<i>Debit</i>	<i>Credit</i>
1. Collection and deposit			
a) Collection of the common fund	8-70-400 8-84-100	xxx	xxx
b) Deposit of the common fund	8-70-300 8-70-400	xxx	xxx
2. Use of Funds			
a) Check Disbursement	8-84-100 8-70-300	xxx	xxx
1. Corollary entry for purchase of equipment	8-79-084 8-94-384	xxx	xxx
2. Corollary entry for purchase of supplies and materials or semi-expendable supplies and property	8-72-900 8-86-900	xxx	xxx
b) Grant of Cash Advance (CA) to Accountable Officer (AO)	8-70-500 8-70-300	xxx	xxx
c) Liquidation of CA by AO	8-84-100 8-70-500	xxx	xxx

Part V – SUSTAINING THE COMMON FUND

The ILHZ is a network of organizations that provides and arranges to provide a coordinated continuum of services to a defined population and is willing to be held fiscally and clinically accountable for the health status of that population. It has linkages with broad-based public health and social services and may serve as the "umbrella" or catalyst for the community care networks. The ILHZ is confronted by a variety of management challenges and one of these is to get the continuous commitment of the key players.

HOW TO GET CONTINUOUS COMMITMENTS FROM LGUs, DONORS, COMMUNITIES, AND THE PRIVATE SECTOR

An important thing to ensure that the common fund will be sustained is that the ILHZ must be a good one. It will be easier to advocate and to market an ILHZ if it has respectable qualities.

Regular and appropriate *monitoring and evaluation* are very important to be able to assess progress towards a fully functional ILHZ. In developing this monitoring system, it is necessary to include indicators and a benchmarking system to guide decision makers and health service providers.

The DOH has identified a number of indicators to measure initial establishment of ILHZs. Each ILHZ should also develop its own monitoring and evaluation system. The indicators would emerge as the process of consultation with decision makers and LGU officials progresses.

A good health district or ILHZ is easy to spot. It is a system in which the health services are geared up to meet the primary health care needs of the population. These are the qualities of a good ILHZ:

- Services must meet the needs of the population.
- Service is efficient – fast and streamlined.
- Services are accessible, both physically and financially.
- The personnel are friendly and courteous.
- Services are equitable.
- There is Inter-LGU cooperation.

These criteria should be monitored and evaluated regularly.

Another important ingredient in a ILHZ's success is a clear and well-understood set of organizational values, or a culture. These values can serve as the glue that helps to bind an ILHZ's various entities together, and that encourages all parties to move in the same direction.

Organizational values (i.e., a set of ideas and attitudes that identify what is desirable and undesirable in the organization) constitute one of two approaches that encourage ILHZ members to do what is necessary for the system's success. Specifically, if the key players understand and believe in the ILHZ's values, they will tend to make decisions that are consistent with, and supportive of, the system's overall strategic directions.

ADVOCACY

- Holding a discussion focusing on local health systems development will serve as an invitation for the LGUs to be advocates for health reform, by changing the way things are done in their respective LGUs.
- Continuing dialogues with LGU officials and other officers involved plus the health staff will strengthen networking.
- Active lobbying and engagement of Sangguniang Panlalawigan Committee on Health will enhance LGU cooperation.

SOCIAL MARKETING

- Social marketing efforts in the form of presentations for local government executives, government managers, community leaders, and private sector entities shall be made to convince them on the importance of supporting the ILHZ.
- Spread information on the ILHZ through media, specifically, print, radio, TV, other printed materials, and even the Internet. Mini-segments or full-blown programs to address continuing issues in ILHZ implementation are powerful media to endorse the ILHZ concept.

Annex 1

Example of a Resource Allocation Table

	District Health Office	Hospital	RHU/BHS/Community
Personnel services <ul style="list-style-type: none">• Salaries and wages• Other compensations• Etc.			
Maintenance and operating expenses <ul style="list-style-type: none">• travel• supplies, materials• medicines• communications• training• Etc.			
Capital Outlay <ul style="list-style-type: none">• equipment• civil works			

Annex 2

Example of Work and Financial Plan

Program (Sample)	Activities	Time Frame	Person Responsible	Budgetary Requirements		
				Items	Unit Cost	Total
Community-based Monitoring System						
Supervision and Evaluation						
Administration and Management						
Quality Assurance						
Human Resource Development						
Primary Health Care						
PESO for Health Program						

Annex 3

Example of a Function Description

SYSTEM NAME: RECEIPT AND COLLECTION SYSTEM
FUNCTION NAME: PROCESSING AND RECORDING OF THE COMMON FUND,
GRANTS, & OTHER DONATIONS

Responsibility Area	Seq. No.	Activity
Treasury Division/ Cash Section Chief Cashier	1	Receives from Participating LGU, Donor/Grantor the following: <ul style="list-style-type: none">a. Check/Cashb. Donation/grant documents
	2	Issues official receipt (OR) to acknowledge receipt of donations/grants and aids. Note: All collections received during the day including those of donations and grants shall be deposited on the first working hour of the following day. <u>At the end of the day.</u>
	3	Summarizes ORs and prepares summary of collection .
	4	Prepares Deposit Slips (DS) and deposits the collection to Accredited Depository Bank (ADB) on the first working hour of the following day.

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