

11.5.5 When preparing the chart of accounts, the chart of account should include the account name, activity, output, immediate objective, strategic objective, and name of the donor, in order to facilitate measuring the cost centers and efficiency.

Therefore, the following chart of accounts is suggested:

### Form No. ( ) Chart of Accounts

Account	Name of Account in Arabic	Name of Account in English	Primary Account
	النقد والبنوك	Cash and Banks	Assets
	النقد	Cash	Cash and Banks
	صندوق النثرية	Petty cash	Cash
	البنوك	Banks	Cash and Banks
	بنك الشيكال	Bank – NIS	Banks
	بنك دولار	Bank – USD	Banks
	بنك يورو	Bank – EURO	Banks
	الذمم المدينة	Accounts receivable	Assets
	ذمم المانحين	Donors' receivables	Accounts receivable
	المانح أ	Donor "A"	Donors' receivables
	المانح ب	Donor "B"	Donors' receivables
	ذمم مدينة أخرى	Other Receivables	Donors' receivables
	مؤسسات أ	Org. A	Other Receivables
	مؤسسات ب	Org. B	Other Receivables
	موجودات متداولة أخرى	Other current assets	Assets
	مصاريف مدفوعة مقدما	Prepaid expenses	Other current assets
	تأمينات مستردة	Refundable insurance	Other current assets
	سلف الموظفين	Employees advances	Other current assets
	الذمم الدائنة	Accounts payable	liabilities
	الذمم الدائنة – موردين	Accounts payable – vendors	Accounts payable
	مورد "أ"	Vendor "A"	Accounts payable – vendors
	مورد "ب"	Vendor "B"	Accounts payable – vendors
	خصوم متداولة أخرى	Other current liabilities	Assets
	مصاريف مستحقة	Accrued expenses	Other current assets
	هاتف	Telephone	Accrued expenses
	مياه	Water	Accrued expenses
	كهرباء	Electricity	Accrued expenses
	اشتراكات	Subscriptions	Accrued expenses

Account	Name of Account in Arabic	Name of Account in English	Primary Account
	أتعاب مهنية	Professional fees	Accrued expenses
	مقطوعات ضريبة الدخل	Income Tax	Other current liabilities
	موردين	Suppliers	Other current liabilities
	رواتب و أجور	Salaries and wages	Other current liabilities
	الإيرادات	Revenues	Revenues
	إيرادات المنح	Grants and donations	Revenues
	المانح أ	Donor "A"	Grants and donations
	المانح ب	Donor "B"	Grants and donations
	إيرادات محلية	Local revenues	Revenues
	إيرادات محلية أخرى	Other local revenues	Local revenues
	المصروفات	Expenses	Expenses
	مصروفات الأنشطة	Running expenses	Expenses
	دعم طلاب	Students support	Running expenses
	مصاريف الدورات التدريبية	Training expenses	Running expenses
	أجور مستشارين ومدرسين	Lecturers trainers' fees	Running expenses
	إيجارات قاعات التدريب	Rent	Running expenses
	مصاريف ورش العمل	Workshops Expenses	Running expenses
	مواصلات	Transportation	Running expenses
	مأكولات ومشروبات	Food and beverage	Running expenses
	مطبوعات	Printings	Running expenses
	المصاريف الإدارية	Administrative expense	Administrative expense
	صيانة	Maintenance	Administrative expense
	صيانة مباني	Building maintenance	Administrative expense
	صيانة أجهزة	Equipment maintenance	Administrative expense
	مطبوعات	Printings	Administrative expense



Account	Name of Account in Arabic	Name of Account in English	Primary Account
	قرطاسية و لوازم	Stationery and supplies	Administrative expense
	مواد تنظيف	Cleaners	Administrative expense
	ضيافة	Hospitality	Administrative expense
	عمولات بنكية	Bank charges	Administrative expense
	أتعاب مهنية	Professional fees	Administrative expense
	كهرباء	Electricity	Administrative expense
	مياه	Water	Administrative expense
	تلفون	Telephone	Administrative expense
	محروقات و تدفئة	Heating	Administrative expense
	إيجارات	Rent	Administrative expense
4430	مصروفات أخرى	Other expenses	Administrative expense
4440	فروقات عملة	Currency differentials	Other expenses
6000	المصروفات الرأسمالية	Capital expenditures	Capital Expenses
6100	سيارات	Vehicles	Capital expenditures
6200	مباني و إنشاءات	Buildings and construction	Capital expenditures
6300	أثاث	Furniture	Capital expenditures
6400	أجهزة و معدات	Equipment	Capital expenditures
6500	كتب و دوريات	Books and periodicals	Capital expenditures

## **Chapter 12**

### **Principles of the Internal Control**

#### **12.1 Control over Revenue**

Revenues are considered the backbone that runs the Association's activities and ensures its sustainability. The following procedures constitute the revenue control mechanism. Therefore, due to the limited number of the staff in the Financial Department, the controlling system must be based on segregation of duties. In order to ensure transparency and meet the requirement of segregation duties, would be worth it utilize the assistance of administrative staff to facilitate the work of the Financial Department. For sake of transparency and better internal control, the following duties must be segregated;

- 12.1.1 The person responsible for receiving checks or any type of transfers, must not be the same person who records cash and checks in the books.
- 12.1.2 None of these two persons mentioned above may be responsible for dealing with the banks.
- 12.1.3 Receiving any cash amounts must associated with issuing an official and numbered receipt voucher of three copies (original copy to the payer, a copy for the records, and the third to be kept in the books for auditing purposes).
- 12.1.4 The voucher must be filled in clearly, and include all the items mentioned in the revenue accounting chapter such as (date, name of the Payer, amount paid, type of revenue, currency, name of the recipient, and signature of receipt). In case the voucher is canceled after it has been recorded, it must be a revised entry that explains the reason for cancellation, after obtaining the original document of the voucher alongside with a written approval of the Financial Manager.
- 12.1.5 Upon receiving checks, the check number and bank name must be recorded, as well as the date of collection. Received checks may not be changed, and must be stamped on the back with the Association's official stamp. The procedure guarantees that the bank policies do not allow for endorsement of checks issued for community figures persons, and does not accept check deposits into the Association's account without the Association's stamp on the back of the check.
- 12.1.6 In case endorsed checks are received, the check must be stamped with the Association stamp, and is scanned on both sides before deposit. The payer's signature must be obtained on the receipt voucher, indicating his responsibility in case not cashing the check or any problems occur regarding the check.



- 12.1.7 The accountant must revise the voucher records in the cash and checks log book, and match the cash balances on a daily basis. The accountant must also keep the vouchers in a safe place for at least 10 years.

## **12.2 Control over the Expenditures**

Expenditure control is considered an important aspect of the controlling process, given the importance of conserving expenditures and its role in the sustainability of the Association. The following procedures constitute the expenditure control system.

- 12.2.1 Spending is not allowed without fulfilling all the required supporting documents in accordance with the sequence of the spending process as stated in the expenditure chapter. A spending voucher may not be issued without completing the required managerial signatures on the supporting documents.
- 12.2.2 Spending is allowed only through bank transfers and checks that state the beneficiary's full name, the amount to be paid both in words and numbers, date of maturity, reason for payment to be written on the check's counterfoil, making copies of the check to be signed by the beneficiary as proof of receiving the original copy.
- 12.2.3 checks with value of more than 2000 USD must be crossed.
- 12.2.4 checks must be signed with more than one signature (two out of three), the Treasurer (primary A), and the Chairman of Board of Director or his deputy
- 12.2.5 Stamps the payment voucher with the Association's stamp, and stamps the supplier invoices and vouchers with "PAID" stamp to avoid duplication of payment.
- 12.2.6 Segregate the petty cash fund custodian duties from the accountant duties.
- 12.2.7 The accountant must keep the records of vouchers for at least 10 years.
- 12.2.8 Recurrent regular expenditures such as electricity, water and phone bills do not require a request, instead, a payment memo. The rest of supporting documents with a value of less than 400 ILS does not need expense requesting form due to the low relatively importance.

## **12.3 Control over the Fixed Assets**

- 12.3.1 The need of the asset is set initially upon preparing the annual plan and approving the budget. However, procurement must be approved to make sure there are no other issues, or due to the Association's desire to adjust the annual plan in accordance to their mandate.
- 12.3.2 All expenditure control procedures must be applied to the fixed asset procurement process. The steps detailed in the asset accounting policies must be followed closely, and may not be violated for any reason.



- 12.3.3 After receiving the asset and examining the original copy, it must be registered in the asset book (stating date of purchase, type of the asset, amount, place of the installing the asset, code number, price, accumulated depreciation, and face value of the asset), as well as initiating an asset form (including all the asset data and how to calculate depreciation over its expected useful life). This is considered a source for transferring the data to the controlling record and providing accounting instruction. The code number must be stamped on the asset.
- 12.3.4 A custody receipt voucher must be issued, stating the type and specifications of the asset to be signed by the staff responsible for managing and using the asset, in which he is committed to preserve the asset from abuse or loss, and use it only in the best interest of the Association, or otherwise with permission, as well as returning the asset in the same status in which he received it after leaving the job.
- 12.3.5 for some assets such as cars, a monitoring record is initiated to monitor the movement of the cars, containing information about date, hour, and the path of travel (from – to). The Financial Manager must monitor this record and compare it to the rate of fuel consumption.
- 12.3.6 Assets are follow the straight-line method of depreciation over its useful life, based on a logical estimate. In case the depreciation method or useful life of the asset is changed, the management approval must be obtained with justification. This must also be reflected in the accounting books and records independently in the revenue and expenditure list.
- 12.3.7 Performing the annual stock control of all assets, as well as non-periodic counts multiple times a year by taking a random sample from the monitoring record and matching it to the actual existing assets list, or vice versa.
- 12.3.8 Comparing the assets list in the books and records (general ledger), with the total asset balance in the assets monitoring record, and identifying the reason in case of any discrepancy.
- 12.3.9 The stock control process is performed through the following procedures:
- 12.3.9.1.1 A committee is established upon order of the General Director, and consists of three staff members. The composition of the committee is (Human Resource Manager, Accountant, and Lawyer if possible to head the committee.
- 12.3.9.1.2 The committee is given a form on the existence assets (in the headquarters or branches)
- 12.3.9.1.3 The form shall be filled in from the actual data about the asset on its place (type, amount, place).



- 12.3.9.1.4 The stock control report is then compared with the asset monitoring record via the accounting system by the financial manager.
- 12.3.9.1.5 The Financial Manager prepares the matching report, highlighting any discrepancy and ways to address them, along with any recommendations on obtaining new assets or destroying the existing ones.
- 12.3.10 All assets must be insured against fire or accidents
- 12.3.11 All steps and required managerial approval procedures stipulated in the asset purchase policy apply to destroying assets.

#### **12.4 Control over Salaries:**

- 12.4.1 Staff salaries may not be paid without signed job contracts between the staff member and the representative of the association (General Director junior vacancies, and Chairman of the Board of Director for senior vacancies) in signing the contracts.
- 12.4.2 The staff file must include the appointment letter which states the job description, the mandate and responsibilities.
- 12.4.3 Salaries may not be paid and recorded without going through the salary payment procedures as stated in the salaries accounting policy, which requires the management's approval of payment. The salaries list, and the salary slip for staff members with all the supporting documents shall be part of the approved documents. Salaries may not be paid in cash.
- 12.4.4 Salaries must be allocated to the activities/costs relevant center in accordance with the accounting instruction.
- 12.4.5 Increment or deduction, or stopping of any salary is not allowed without an official letter signed by the relevant management level (according to the internal by-laws). The letter must be kept in the staff member's file.

#### **12.5 Control over Cash and Banks.**

Cash and bank management is considered the most sensitive and accountable issue. Therefore, it requires the following monitoring and control procedures:

- 12.5.1 No one besides the authorized staff may receive cash or checks.
- 12.5.2 Personal cash of the petty cash custodian may not be mixed with the Association's cash.
- 12.5.3 Cash and checks must be kept in a safe place (a safe if possible) to be installed in a place whereas it is not accessible or can be moved easily.
- 12.5.4 Any amount of more than 400 ILS or its equivalent in other currencies must be paid in checks.
- 12.5.5 Segregate the duties of the petty cash custodian of those from the duties of the accountant.



- 12.5.6 Multiple signatures must be signed on the checks as explained in the expenditure accounting policy.
- 12.5.7 Authorized signatories are prohibited to sign any check without verifying all required data of the check.
- 12.5.8 Checks of more than \$2000 US Dollars must be crossed.
- 12.5.9 Canceled checks must be kept in the check books and recorded in the check log records.
- 12.5.10 The check book must be officially requested after signing the request by the authorized staff and delegating a person to receive the check book from the bank, keep it in a safe place, and sign an admission of responsibility upon loss of any check from the books. The bank must be instructed to stop the payment of any lost checks.
- 12.5.11 Persons authorized to receive the Association's account log from the banks must be appointed with an official letter, of which a copy must be sent to the relevant banks.
- 12.5.12 Expired checking books must be kept in a safe place for at least 10 years.
- 12.5.13 Preparing bank reconciliation on a monthly basis (bank reconciliation form is attached).

### Bank Settlement Form

Account Code: \_\_\_\_\_ Bank: \_\_\_\_\_  
 Month: \_\_\_\_\_ Account No.: \_\_\_\_\_  
 Date: \_\_\_\_\_ Account Type: \_\_\_\_\_  
 Currency: \_\_\_\_\_

Balances	According to the books	According to bank statement												
Settlement Items Pending Checks <table style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Payment Voucher No.</th> <th style="text-align: left; border-bottom: 1px solid black;">Check No.</th> <th style="text-align: left; border-bottom: 1px solid black;">Maturity Date</th> </tr> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> </table>	Payment Voucher No.	Check No.	Maturity Date	-	-	-	-	-	-	-	-	-		
Payment Voucher No.	Check No.	Maturity Date												
-	-	-												
-	-	-												
-	-	-												
1. Deposits not registered in the books (description).  2. Deposits not registered in the bank (bank).  3. Bank transactions and interest (Credit/Debit)  4. Errors (description)														
Adjusted Balance														
Prepared by	Approved by	Revised by												



## **12.6 Control over the Accounting Cycle**

- 12.6.1 Segregation of duties must be adopted. A person may not monitor the accounting cycle from start to the end without effective participation from others.
- 12.6.2 Print out of financial reports and records regularly and keeping them after verification. Moreover, a backup copy of the computerized data must be made regularly (preferably on a CD or USB).
- 12.6.3 Auditing the financial statements by a professional and reputable independent auditing firm.
- 12.6.4 Preparing the comparison reports to compare actual activities against planned activities.
- 12.6.5 Financial reports are detailed reports relevant to a certain activity, such as:
  - Report of revenues by cost center and timeframe
  - Report of expenditures by type and cost center and time frame
  - Any other reports the management might require.

## **12.7 Account Revision and Audit.**

Types of provision of revision and by the independent auditing firm are categorized as follows:

### **12.7.1 Internal Audit**

- 12.7.1.1 It is Performed by an Association's staff, delegated by the management and reports to the Chairman of the Board of Directors and the General Director. He is not a member of the Financial Department in order to avoid conflict of interest.
- 12.7.1.2 Internal auditor audits and revises the accounting transactions in accordance with the rules and criteria requested by the management, which allows the management to implement its policies and achieve its managerial objectives in line with the best practices of public financial management.
- 12.7.1.3 Internal Audit report: is a quarterly report for internal use only by management).

### **12.7.2 External Audit:**

- Conducting an independent external audit is commissioned by an external auditor to give an opinion regarding the final financial statements of the Association, and issues the independent audit report at the end of March of the coming fiscal year as a deadline.
- The independent external audit conducts the auditing exercise based on the the international auditing standards.
- The independent auditing report is for internal and external use.

- The external auditing firm is appointed by the Board of Directors.
- The independent auditing firm must be professional and reputable.
- The appointed auditing firm should not be appointed for more than three years in a row.
- Financial data must be audited according to the international standards and other recognized practices.
- The management of the Association must prepare all the required data and tables for the auditing exercise without delay.
- The auditing firm must complete the auditing exercise within the specified period, no later than March of the next fiscal year, and provide the Association with the following:
  - ✓ Draft of the financial statements and the related auditing report.
  - ✓ A list of the suggested adjusted transaction entries.
  - ✓ An opinion letter regarding the internal control system and the computerized financial system with the suggested recommendations to improve the internal control system.
- The Association's management must review the drafted financial audited statements and compare the given data with the data from the accounting records. The management must also review the suggested adjusted entries and decide either to accept or reject them, and discuss that with the external audit.
- The auditing firm may issue an adjusted draft financial statements if necessary.
- The Association's management must review the letter of notes on the accounting system and comment on each point in the opinion letter.
- The auditing firm shall issue the final audited financial statements after approval by the Board of Directors.
- The audited financial statements must be approved by the Board of Directors.
- Re-appointing or replacing the external auditing firm depends on the with a decision from the Board of Directors, provided that the audit period does not exceed 3 years.
- The Association's management must follow up with applying the notes and recommendations in the auditor's report.



## Chapter 13

### Financial and Accounting Terms

- 13.1 The Accounting Cycle:** is a regular approach that explains the accounting system mechanisms from data collection up to issuing the trial balance after closing and preparing the opening entry of the next fiscal period. The cycle consists of the following stages:
- Categorizing data and preparing supporting vouchers for payment.
  - Preparing accounting entries.
  - posting accounting entries to the general ledger
  - Preparing reconciliation entries
  - Preparing the trial balance
  - Preparing financial statements
  - Preparing the closing entries
  - Preparing the trial balance after closing
  - Preparing opening entries of the next fiscal period.
- 13.2 Budget:** It is a plan that organizes the expected activities during the upcoming fiscal period (usually one year), and plans the expenditures of the following two years, expressed in quantities and values to ensure achieving the objectives, the budget includes the expected revenues and expenditures during the period.
- 13.3 Cash Flow Plan:** It is an estimated budget prepared based on the cash basis instead of accrual basis, which highlights monthly and annually the received revenues, collected amounts, expenditures, external payments, and the cash balance at the beginning and end of each month of the fiscal year.
- 13.4 Statement of Revenues and Expenditures:** These are important statements that must be prepared at the end of the accounting period. The purpose of these statements is to obtain the results of the Association's work/program activities in terms of expenditures and revenues. If revenues exceed expenditures, there's an excess in funds, and therefore, the Association may request permission from donors to use the surplus in same program or other programs. If permission was denied, the excess must be returned to donors. If expenditures exceed revenues, then there's a deficit, and sources of revenue must be secured to cover it. It is worth noting that when preparing the revenue and expenditures statements, accrual basis is used instead of the cash basis.
- 13.4.1 Accrual Basis:** It is an accounting basis whereas it recognizes the revenue upon implementation of the program activities, or when the



service provision process takes place, regardless of whether revenue was received or not. It also recognized expenditures upon commencing the transaction, regardless of whether payment was made or not.

- 13.4.2 **Cash Basis:** It is recognizing revenue upon receipt of the funds, and expenditure upon spending of funds, regardless of whether the process/service has been initiated or not.
- 13.5 **The Balance Sheet:** a statement that shows the financial position of the Association at a certain point in time. It includes assets, liabilities and excess funds.
- 13.6 **Excess Funds:** It is the excess amount of revenues over the expenditures have been paid during the fiscal period. In case expenditures exceed the revenues, it is called a budget deficit.
- 13.7 **Accounting Entry:** is the process of recording and documenting the financial event, which financially impacts the association's financial position. Dual entry consists of two equal parts, the debit and credit.
- 13.8 **General Ledger:** It is a statement or report that shows the accounting transactions of the debit and credit accounts, date of the transactions, details of it, and the balance at a certain point of time of each account.
- 13.9 **Trial Balance:** it is a statement of all debit and credit accounts and their balances at a certain point of time.
- 13.10 **Adjusting Entries:** entries that are recorded at the end of a fiscal period to update and adjust the balance of some accounts to apply the accrual basis principle. These entries are important and necessary to obtain fair financial statement of any program.
- 13.11 **Closing Entries:** a systematic process that takes place at the end of the fiscal year, through which the temporary accounts are closed, and the excess or deficit in the budget of the current fiscal period is determined and closed in the net assets.
- 13.12 **Real and Temporary Accounts:** Real accounts reflect the assets, liabilities and the net assets, which are shown in the balance sheet. The temporary accounts are revenues and expenditures, which are shown in the expenditures and revenue statement, and are closed annually.
- 13.13 **Activity/Cost Center:** are virtual cost centers in the records to determine the revenues or expenditures of a certain project or activity independently and issue independent financial statement and report for the project or activity.
- 13.14 **Cash Inflows:** are all the cash flowing in to the Association from any sources. such as running, capital or development funds.



- 13.15 **Cash Outflows:** the outflows to cover expenses which might be in the form of running, capital, or development funds.
- 13.16 **Project:** a virtual entity representing an economic/social activity independently, and has its own specific sources of funds and expenditures, aiming at achieving a specific goal that reflects the vision of the Association. The project is considered an independent financial unit within the program framework.
- 13.17 **Donor:** The person or entity that funds the project either completely or partially.
- 13.18 **Budget Item:** a specific account item, of unique nature, such as salary expenditures or a specific asset, which is listed in the Association's chart of accounts.
- 13.19 **Fixed Assets Record:** a record that shows all assets categorized by date of purchase or any other classification, and aims at controlling and preserving assets. It includes name of the asset, date of purchase, face value, accumulated depreciation, historic value, asset account number, code number, and place of the asset.
- 13.20 **Expenditures:** all paid expenses in order to reach the desired goals in accordance to the matching principle.
- 13.21 **Running Expenditures:** are that cover a single fiscal period, such as the regular expenditures (salaries, stationery, phone bills...etc.). Whereas capital expenditures are that benefit the Association over more than one fiscal period, such as acquiring fixed assets.
- 13.22 **Salaries:** systematic and regular running costs (monthly). They represent the payment to which staff (permanent and temporary) are entitled. In case of unpaid salaries, adjusted entries are prepared.
- 13.23 **Assets:** assets are usually the Association's property, and support earning its revenues. Assets include fixed assets, current assets, and other assets.
- 13.24 **Current Assets:** assets that serve the Association, and can be turned into cash within the current fiscal year.
- 13.25 **Fixed Assets:** Fixed property of the Association, serving to achieve the Association's goals over more than one fiscal year. Adjusting entries are regularly made to transform part of it into expenditures (depreciation).
- 13.26 **Other Assets:** The assets that don't fall under the current assets or fixed assets categories. They are recorded under the item "other assets" such as investments over more than one fiscal year, or ongoing project or intangible assets such as copyrights, patents or franchises.
- 13.27 **Accounts Receivable:** Financial right belong to the Association that occurred during the fiscal year, such as staff advanced payment accounts, and payment made in advance to suppliers.



- 13.28 **Accounts Payable:** Financial obligations occurred during the fiscal year and the Association is pledged to pay, such as outstanding obligations for supplier.
- 13.29 **Transaction Entry:** It is a form that shows the contents of the accounting transaction entry, including date, value, debit and credit, details and the required managerial signatures.
- 13.30 **Payment Voucher:** a form that shows the payment data, including name of the beneficiary, date and amount of payment, Treasurer signature and payment. reasons for payment. It is systematic and pre-numbered voucher and issued in three copies (original and two copies).
- 13.31 **Receipt Voucher:** It is a form that shows the receipt data, including the name of payer, date and amount of payment, beneficiary signature, Treasurer signature and type of receipt. Payment is systematic and pre-numbered, and the voucher must be issued in three copies (original form handed to the payer and two copies with supporting documents).
- 13.32 **Financial Manager:** is the manager of the financial affairs in the Association. He is responsible for all the financial matters, including but not limited to: preserving the Association's assets, and upholding the financial policies and procedures in place.
- 13.33 Internal Forms:**
- 13.33.1 **Internal Purchase Request Form:** it is an internal form that specifies the start of the purchasing process through filling the form prior to spending or purchase is made. The form must include the information related to each spending or purchase process.
- 13.33.2 **Purchase Request Form:** it is a form that documents the process of supplying goods or services, and is sent to the supplier. This form is based on the approved internal purchase request form, and must be filled before the purchase process is commenced. The form must include information about each item to be purchased. Purchase process may be initiated upon filling this form.
- 13.33.3 **Payment Request Form:** it is an internal form designed to initiate the payment process. The form includes information related to payment. It must be submitted to the relevant department for approval before commencing the payment process.
- 13.33.4 **Petty Cash Spending Form:** It is an internal form that records the petty cash payments expenditures. Documents proving payments must be attached to this form before making the payment.



- 13.33.5 **Petty Cash Spending Table:** an internal form that records petty cash payments. It includes detailed information on the petty cash transactions and cash payments. A list of petty cash expenditures and supporting documents must be attached to this table.
- 13.33.6 **Travel Request Form:** it is an internal form that records a travel request and justification. It includes information regarding the travel mission. Supporting documents for the justification of the travel mission must be attached to this form. Therefore, this form is kept separately, until the travel mission is completed, and then attached to the travel statement.
- 13.33.7 **Travel Expenses Report:** it is an internal report, documenting the expenses of travel into an official mission. It includes detailed information about the travel agenda and the occurred expenses. Supporting documents must be attached to this report.
- 13.33.8 **Bank Reconciliation Statement:** it is an internal statement that records the difference between the net balance of each bank account and the net balance according to the books. This statement must be prepared by the Financial Department on a monthly basis. It is necessary that this statement is revised regularly.
- 13.33.9 **Other Items for Internal Control and Approval:**  
**The Association Stamp:** the association's stamp is used to approve all the legal documents and obligation, especially obligations that merit financial consequences.  
**Payment Stamp:** a rubber stamp with the word "PAID". It is used to stamp all the original documents related to payment processes, to avoid duplicating payments of the same item. The stamp includes an empty space to write the date and number of check/payment coupon.
- 13.33.10 **Tax Invoice:** It is the primary official document which supports the Association's expenditures. Unsupported expenditures with official invoices (unless a good justification is demonstrated) are considered questionable and a source of concern for donors and auditors. Tax invoice includes the following information, without any of which the invoice is not considered legal one:
- Name and address of the licensed party
  - Number of the license (tax number)
  - The sentence: "tax invoice"
  - The statement of original and copy of the invoice
  - Serial number
  - Tax (VAT rate)

The association must make sure receiving the original tax invoice and keep it in the records. In some cases, donors request the original invoices, in which case, the Association must keep copies of the invoices and stamp it with “ORIGINAL SENT TO DONOR”, and stating the donor’s name.

- 13.33.11 **Value Added Tax:** is a tax paid by the Association on its spending and expenditures of goods and services. The tax rate is currently 16%. This rate can be changed at any time. Dealing with this type of taxes is vary depending on the type of the organization, profit organizations and companies offsets this tax with the sales tax and pays/receives the difference. For non-profits organizations, this tax is not refundable and is considered a part of the expenditures, as non-profits organizations do not pay income tax. Moreover, some organizations and projects may obtain a tax exempt under special procedures.
- 13.33.12 **Income Tax:** a tax on individuals’ income, which the Association is responsible for deducting from the staff salaries and paying it to the Income Tax Department. The Association is considered a mediator between the staff and the Income Tax Department. Therefore, no delay or holding of the income tax should take place under any circumstances.
- 13.33.13 **Tax Deducted at Source:** it is a request from the payer to deduct a percentage of the paid amount and pay it to the Income Tax Department as income tax advancements of others. The law specified the mechanism to deal with the discount rates, the amount to be deducted and the forms used. Income tax deduction is one form of deduction at source.



## Chapter 14 Abstractions

### 14.1 Fixed Assets Recording Procedures

Task	Responsibilities	In cooperation with	Procedure
Giving each fixed asset a code	Accountant	Financial Manager	All fixed assets are given codes. The code includes the numbers that represent the type of fixed assets, year of purchase, and place of keeping the asset.
Regularly updating the assets' record	Accountant	Financial Manager	Perform annual stock control and verifying that the records match the result of the count.
Adjust any of the items in the fixed assets records	Accountant	Financial Manager	Accountant is the only authorized staff to adjust any item in the fixed assets record, taking into consideration approval of the Director General or the Board of Directors.
Conduct fixed asset annual count	Financial Manager	Accountant and General Director	A fixed asset annual count must be performed. The Director General is authorized to appoint a counting committee. The actual results of the count is compared to the accounting records, and the records are kept in the office of the Financial Manager.
Destroying fixed assets	Accountant	Financial Manager and General Director	A request to destroy fixed assets must be prepared and signed by the General Director and the Human Resource Manager. Destruction of fixed assets must be documented in records that contain the information of the destroyed item.
straight-line method of depreciation of fixed assets	Accountant	Financial Manager	The accountant must calculate the depreciation value on a monthly basis and enter it in the accounting records.

## 14.2 Expenditure

Task	Responsibility	In cooperation with	Procedure
Revising Payment supporting documents and preparing payments	Accountant	Financial Manager and Director General	Revising all the payment supporting document and verifying them, preparing the check and stamping it to the first beneficiary, and sending it to the Financial Manager for approval, then to the Director General for signature and approval, in order to be signed by the authorized staff. The accountant documents the transaction in the accounting system and archives all attachments.
Preparing and paying salaries	Accountant	Financial Manager and Director General	The accountant prepares a list of the staff names, their salaries and account numbers from the staff contracts and files. The Financial Manager revises and recalculates the salaries Obtain the approval of the Director General and the required signature for payments. Prepare the salary coupon and send it to the staff.



### 14.3 Banks and Cash Management Procedures

Task	Responsibility	In cooperation with	Procedure
Create the petty cash fund and appoint its custodian	Director General	Accountant and Financial Manager	The Director General creates the petty cash fund and appoint a person responsible for its management via an official letter signed by the Chairman of the Board of Directors.
Spending petty cash expenditures.	Treasurer	Accountant Financial Manager Relevant managerial level	The Treasurer spends from the petty cash fund per supported original invoices. The accountant revises the vouchers and sends them to the Financial Manager for revision, and then the relevant managerial level for approval The accountant prepares a check to remedy the expenditure value.
Bank Settlements	Accountant	Financial Manager and Director General	The accountant prepares the bank settlement which then must be revised by the Financial Manager and approved by the Director General.

#### 14.4 Revenue Procedures

Task	Responsibility	In cooperation with	Procedure
Recording Grand Funds	Accountant	Financial Manager	The accountant must record the grant fund amount upon signing the contract with the donor and send it to the Financial Manager for approval. All other revenues are entered by the accountant and sent to the Financial Manager for approval.
Issuing receipt vouchers	Accountant	Financial Manager	The accountant must print the receipt voucher from the accounting system and send it to be signed by the Financial Manager before sending it to the donors.
Recording non-monetary revenues	Accountant	Financial Manager	The accountant must record non-monetary revenues upon receiving them. A non-monetary receipt voucher must be issued to the donor for the received items.
Recording monetary revenues	Receptionist	Revenue accountant Financial Manager	The receptionist must record the monetary revenues and supply them in accordance with the manual procedures to the revenue accountant, who then prepares the relevant entries to be approved by the Financial Manager.



## 14.5 Financial Reports Procedures

Task	Responsibility	In cooperation with	Procedure
Preparing financial reports	Financial Manager	Accountant	The Financial Manager prepares all the regular and donor reports in cooperation with the accountant then sends them to the Director General for revision and approval, then sends them to the donors or the board of commissioners.

## 14.6 Budget Procedures

Task	Responsibility	In cooperation with	Procedure
Appointing the budget committee	Chairman of the Board of Directors	Director General Department Directors	The Chairman of the Board of Directors issues a decision to form the budget committee and assign the roles of its members
Preparing the budget	Program Managers	Accountant Financial Manager Director General	The departments set their goals, objectives and outputs. The Financial Manager then prepares the budget in cooperation with the accountant based on the goals and outputs set. The Director General in cooperation with the Chairman of the Board of Directors revises the budget in order to approve it and send it to the donors for approval.
Budget Approval	Director General Chairman of the Board of Directors	Board of Directors	Presenting the budget to the Board of Directors to be revised, adjusted and approve.