

# **Financial Policies and Procedures Manual**

## **Red Crescent Society for Gaza Strip**

**Technical Support by:**

**The Training and Management Institute (TAMI)**

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## Chapter 1

### Glossary (Terms and Definitions)

1.1 Under this system, the following words and sentences refer to specific meanings depicted in the table below, unless stated otherwise.

Association	Red Crescent Society for Gaza Strip
General Committee	General committee of the Red Crescent Society for Gaza Strip
Board of Directors	Board of Directors of the Red Crescent Society for Gaza Strip
Chairman of the Board of Directors	Chairman of the Board of Directors of the Red Crescent Society for Gaza Strip
Deputy Chairman of the Board of Directors	Deputy Chairman of the Board of Directors of the Red Crescent Society for Gaza Strip
Director General	The person appointed by the Board of Directors to be responsible for the daily management of the operational activities and the administrative, financial and technical issues of the Red Crescent Society for Gaza Strip, in an effective and cost-efficient manner, and in accordance with the policies, systems and bylaws of the Association.
Program Manager	The person appointed by the Board of Directors to be responsible for managing the all of the program's administrative, financial and technical aspects of the Red Crescent Society for Gaza Strip, in an efficient and effective manner, and in accordance with the policies, systems, and bylaws of the Association.
Medium-term program budget	A budget that is planned for a three-year period, in which the expenditures are planned based on activities required to reach the outputs planned under the program.
Financial Manager	Director of the Financial Department in the Red Crescent Society for Gaza Strip who is responsible to ensure a transparent implementation of the financial policies and procedures as by the bylaws of the Association. In addition, he is responsible for disclosing or providing guarantees regarding the financial information that helps the managers and other staff members of the Association to make resource allocation decisions.
Accountant	The person who is responsible for preparing the financial statements
Receptionist	The person responsible for collecting the daily monetary revenue from the service provision centers.

1.2 This system is applied in any center or/and program the budget of which is part of the overall Association's budget.



## **Introduction**

The methodology of preparing the financial management policies and procedures is based on reviewing the current documents, rules, and policies that govern the operation of the Association. In addition, conduct Key Individual Interview as well as some representatives of the Board of Directors mainly the Treasurer and the Chairman of the Board of Directors to gain deep understanding of the rules and policies that govern the internal work environment and its interacting with the external parties of the stakeholders.

This procedure manual aims to apply the suitable financial rules and principles of the red Crescent Society in the Gaza Strip that meet the international and national best practices in managing public fund in non-profit organizations. These policies are sat in accordance with the issues policies by the Board of Directors as well as in accordance with the governmental policies related to oversight the performance of the non-profit organizations.

Applying the international Accounting Standards of the non-profit organizations which applied to grants and donations effectively from the date of issuing and approval this procedure manual alongside with other funding policies and procedures of other stakeholders.

The procedure manual covers fourteen chapters describing the content as follows: Chapter one provides general definitions of the mentioned terms as well as addresses the objective and the usage of the manual and the responsibility of ensuring the implementation of the manual.

Chapter two provides a background about the associations through addressing the vision, mission statement, objectives and the organizational diagram of the association which depict the various managerial commands and level of communications inner and outer of the association.

Chapter three covers the principles and rules of the financial accounting at the RCS.

Chapter four describes the forms, documents, and the designated records that are used to apply the financial policies and procedures of the association.

Chapter five describes the policies and procedures of preparing the Medium-term Budget which is based on the program based budget.



Chapter six address the policies and procedures related to revenue from donors and services provided as well as dealing with the in-kind donation and ways of determining the fair value of the in kind donations.

Chapter seven details the financial policies related to the payroll of permeant staff and those assigned to projects.

Chapter eight describes the procedures of managing cash and banks accounts with special details on managing petty cash, and bank reconciliation

Chapter nine describes the procedures of the advanced payments and ways of closing these payments.

Chapter ten describes the procedures of managing trust funds and mechanisms of refunding them.

Chapter eleven details the accounting principles, chart of account and the procedures of preparing the financial reports.

Chapter twelve describes the internal control procedures that related to revenues, expenditures, fixed assets, salaries, cash and banks, accounting transactions and the internal and external audit.

Chapter thirteen deals with the definition of the financial and accounting terms

Finally, chapter fourteen describes the duties and responsibilities framework of all accounting functions indicated in this manual.

### **Objective of the Manual**

- The objective of financial procedure manual is to determine the responsibilities and duties that the staff of the Financial Department and the relevant parties must obey the set financial policies and procedure in performing their duties. The procedure manual covers all the financial transactions in dealing with third party especially the activities that related to; budget preparation and execution, receiving revenues, conducting the procurement, preparing the financial reports, managing cash and banks and ensure safeguard of the assets and oversight the internal control.
- The provision of this manual shall apply equally to all staff members and employees of the RCS.

### **Use of the Manual**

- This manual is used as a reference at the work place, staff can refer to the relevant part of this manual for guidance.
- This manual has been developed to suit the specificity, capabilities and size of the Red Crescent Society.
- The management of the Association should periodically review this manual to assess its appropriateness, applicability, or need for modification in accordance with changes that may occur in the surrounding environment of the association.
- This manual is divided into several parts. Each section contains general procedures and requirements necessary to ensure the effectiveness of the policies in the association. It also includes detailed procedures for each activity and the person responsible for implementing the procedures.
- This manual is targeting the staff of the association in general and the staff of the Financial Department in particular.

### **Scope of Implementation**

- The policies and procedures in this manual are complementary to the provisions of the applicable work regulations.
- The management of the association may at any time amend any changes to the provisions of this manual, including the addition and cancellation of any of the addressed rights and provisions in accordance with development of rules and provisions of the manual.



## **Chapter 2**

### **Organizational Structure and Introduction of the Association**

#### **2.1 The Red Crescent Society (RCS) for Gaza Strip**

The Red Crescent Society (RCS) for Gaza Strip, is a civil society, non-governmental, non-profit, independent Association that works in development and relief and contributes to improving the health, cultural, educational and humanitarian conditions of the citizens of Gaza Strip with a democratic work environment.

#### **Goals of the Association**

1. To build the Capacity of the Association and its partners.
2. To contribute to improving the health conditions in Gaza Strip
3. To contribute to empowering the Palestinian woman through comprehensive quality services.
4. To contribute to promoting the Palestinian Identity and community culture in Gaza Strip.

#### **Vision**

RCS – Gaza Strip aspires to be a leading Palestinian national Association in a society that enjoys sustainable development.

#### **Mission**

RCS – Gaza Strip is a civil society Association that seeks to contribute to improving the health, cultural, educational, and humanitarian conditions of the local community through quality, comprehensive programs based on justice and equality.

#### **Values of the Association:**

##### Professional values:

Independence, decentralization, the promotion of democratic values, maintaining the privacy and rights of beneficiaries, adherence to work ethics, quality, professionalism, specialization, discipline, commitment, development and transparency.

##### Moral Values:

Respect for the values and traditions of the society, humanity, social responsibility, volunteerism, loyalty, equality, equity and non-discrimination.

## **2.2 The strategic objectives of the Association**

Strategic Objective One: Enhance the capacity of the Association and its partners

Strategic Objective Two: Contribute to the improvement of the health conditions in Gaza Strip

Strategic Objective Three: Contribute to the empowerment of the Palestinian women through high quality integrated services

Strategic Objective Four: Contribute to the promotion of the Palestinian identity and community culture in Gaza Strip.

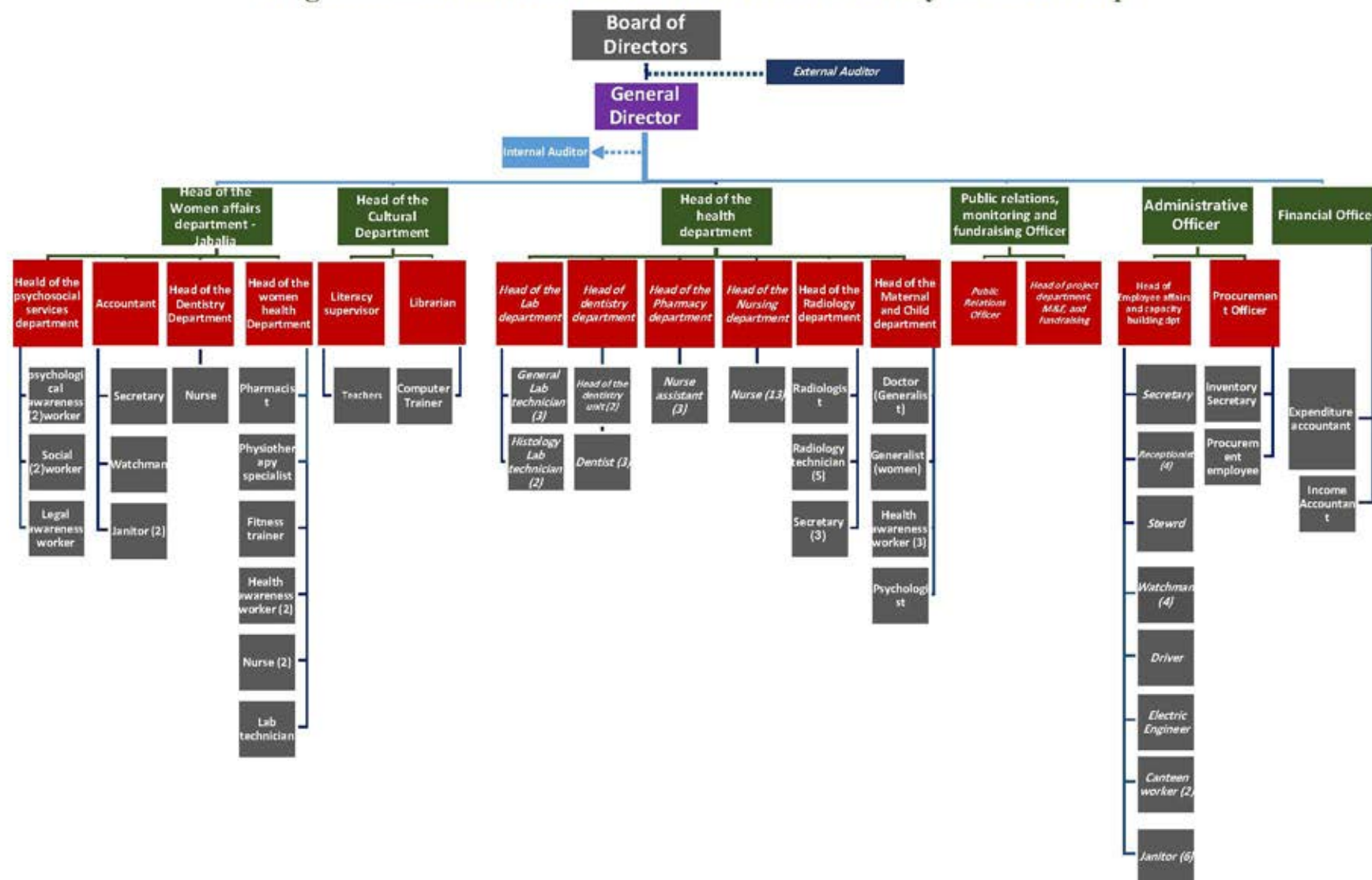
## **2.3 Organizational Structure**

The organizational structure consists of the Director General on top of the hierarchy, and then the Association's departments. The Director General reports to the Board of Directors and is responsible for all the Association's work at the program level. They are responsible for guaranteeing the progress of work in accordance with the plans and in line with the general policies of the Association. Moreover, the General Director of the Association places the utmost importance regarding administrative and financial matters on compliance with the accounting standards, documentation and all logistical matters necessary for the progress of work.

The diagram below illustrates the organizational structure of the Association in details and the main departments:



## Organizational Structure of the Red Crescent Society for Gaza Strip







## **Chapter 3**

### **Financial and Accounting policies**

- 3.1 The Financial Department applies the following financial and accounting policies:
  - a. Use the double entry method to prove the financial transactions in its books.
  - b. Use the Accrual Basis of Accounting in registering revenue and expenditures.
  - c. Register the Revenue and expenditures in their respective books, in accordance with the approved chart of account.
  - d. Adopt unified accounting classifications for closing the financial statements in line with the overall budget classification.
  - e. The Association ensures its revenues are deposited in the single revenue account.
- 3.2 The Association allocates the running costs of programs in accordance with its budget.
- 3.3 All financial operations must be signed by the appropriate signatories and submitted with supporting documents on accordance to the policies and procedures of this manual.
- 3.4 A program is not allowed to use its collected revenue for any disbursement for whatsoever purpose.
- 3.5 All documents related to the financial transactions, records and reports are kept for a period of 7 years. Financial statements are kept for 10 years.
- 3.6 Only a permanent staff member may hold a position that performs the duty of collecting the cash revenues.
- 3.7 The General Director is responsible for implementing the bylaws and rules of the Association's financial policies.
- 3.8 The Financial Manager in the Association is responsible for the accuracy of the financial transactions that are related to receivables, payables, asset management, and entries, as well as informing all relevant staff in the financial department with the bylaws, and instructions related to their duties and responsibilities.

- 3.9 The relevant staff of the Financial Department whose assigned for determining the accrued revenues, receiving, saving, spending or monitoring the Association's funds, organizing the financial books and documents, performing accounting entries or entering them in their respective forms, managing the Association's funds, preparing cost accounts, and performing financial analysis and planning, is responsible for performing these duties in line with the relevant bylaws, the regulations of this financial and procedure manual and the widely used accounting principles.



## **Chapter 4**

### **Accounting Documents, Forms, and Records**

- 4.1 The Financial Department is responsible for designing and printing of supporting financial documents (receipts, forms, etc.) and disseminating them to the programs in order to be used in proving the financial transactions.
- 4.2 The Financial Department must store significant quantities of printed financial forms related to collection of the revenue to cover the programs needs for at least six months.
- 4.3 The supporting documents, the accounting books and the forms to be held by each program are as follows:
  - 4.3.1 Main Vouchers: a) Receipt voucher.
  - 4.3.2 Supporting Documents: A) Receipt order B) Payment voucher C) Check Receipts D) Payment Request E) reviewing form from the archiving store.
  - 4.3.3 The Financial Department must hold the following financial documents: A) Journal book B) Petty cash book C) General ledger D) revenue ledger E) expenditures ledger F) custody ledger G) Lending ledger H) Salary record I) suspension accounts ledger.
  - 4.3.4 The Financial Department holds the following supervisory records: A) Financial allocations record B) receipt vouchers record C) Accounting trial balance record D) General debt record E) bounced checks record F) Canceled receipt vouchers records G) any other records approved by the Financial Department.
- 4.4 The Financial Department must perform the following:
  - 4.4.1 Audit the receipt voucher documents and forms after they are printed and disseminated to ensure accuracy of its content, serial numbers and the number of copies available. The auditor must sign the cover of each book and state his full name as well as the date of the audit.
  - 4.4.2 Receiving of the receipt vouchers documents and forms from printshops must be recorded in the supplies and inventory entry book as in transaction, while issuing the vouchers must be recorded as out transaction in the supplies and inventory discharge book.
  - 4.4.3 Hold a main record prepared specifically for recording the financial documents and forms that are entered/recorded in and discharged out by the supplies and inventory department for programs.
  - 4.4.4 The assigned staff must audit the receipt voucher books before disseminating them. Upon discovery of error in the serial number or in the number of printed copies, the voucher is returned to the supplies and inventory department, in order to be returned to the Financial Department.



- 4.4.5 The assigned staff in the program to receive the receipts voucher books is responsible to hands the receipt vouchers book to the Treasurer within the program as needed to make sure that their serial numbers and the number of copies available are accurate before using them. The book is registered as escrow/custody in the relevant record until they return it to their direct supervisor who then must audit, keep and sign it.
- 4.4.6 The Financial Department keeps the receipt voucher books after using them in a safe place under the supervision of a custodian appointed by the General Director who is not in charge for revenue collection.
- 4.4.7 Receipt voucher books are issued and used by sequence of their serial numbers. A book may not be used until the previous one with the serial number is used.
- 4.4.8 The Treasurer who holds custody of more than one receipt voucher books must record the serial numbers of each receipt voucher books in the relevant record.
- 4.4.9 Heads of Programs and branches must prepare monthly statement of the receipt vouchers used in their programs and branches, and officially report that to the Financial Manager who will then audit and match them with the existing records.
- 4.4.10 By the end of the fiscal year, each program is requested to count the used receipt voucher books in accordance with the serial number and shall report that to the head of the program, who in return shall report that officially to the Finance Department.
- 4.5 The programs must immediately inform the Financial Department of any shortage or loss of accounting vouchers, books or records, and proceed to investigate the incident and inform the General Director with the results of the investigation.
- 4.6 The procedures for keeping the financial records and vouchers are done through allocating a room or more to be used as archive to keep the accounting vouchers, forms, documents and books, as well as the financial records after using them. The General Director appoints a staff member from outside the Financial Department to hold custody of it, with the job title (Financial Records and Vouchers Secretary) who is administratively under the Human Resource Manager.
- 4.7 After closing the Fiscal Year, the Financial Manager refers all the accounting books and supervisory records for that year, in addition to the monthly and annual financial reports and the bank reconciliations, with detailed vouchers attached to them, to the Archiving store keeper who audits and numbers them before signing receiving these documents.



- 4.8 In cases the Archive Secretary finds out a missing or lost vouchers or documents, they record the missing files in the received statement and returns it back to its source with an official letter for follow up and correction.
- 4.8.1 Discharging any voucher, record or book from the financial records and vouchers book is prohibited unless by official request of discharge from the archiving store.
- 4.8.2 The request of discharge is carried out by submitting three copies signed by the direct supervisor of the requesting party. The first and second copy are given to the Archiving store keeper who records the discharge date, and the name and signature of the receiver.
- 4.8.3 After returning the voucher, book, or record, the Archiving store keeper signs the two copies to prove reception. The Archiving store keeper keeps the first copy and returns the second to its original source.
- 4.8.4 The Archiving store keeper must make sure to code/number all of the voucher's documents before discharging it.
- 4.8.5 The requesting party must return the voucher, book or record to the Archiving store keeper in a maximum period of seven days from the date of discharge.
- 4.8.6 The Archiving store keeper must keep a record of the vouchers, books and records discharged from the archive store which detail; the serial number of the book, record or voucher, the number of documents in the voucher, the requesting party, number of the discharge request, name of the receiving party, and discharge and return dates.
- 4.8.7 The request for viewing a voucher, book, or record inside the archive is considered a discharge request.
- 4.9 Withdrawing, adding, replacing or destroying any attachments of the voucher, book or record in any way is absolutely prohibited.
- 4.10 In cases where the Association replaces receipt voucher forms with new forms, rendering the old forms unusable, the programs and branches of the Association must return the old unused forms to the Financial Department immediately using the supplies discharge form. Two staff members from the Supplies and the Financial Departments must approve the receipt of receiving the old and unusable vouchers. The Supplies and Inventory Department shall issue a supply entry document in return.





## **Chapter 5**

### **Budgeting**

#### **5.1 Principles of Budget Preparation**

**This section covers the required procedures for budget preparation.**

- 5.1.1 Before discussing through the mechanism for the budget preparation, it is worth mentioning that, the success of the budget as a planning and monitoring tools depends on the competence of the human cadre in the budget preparation process in its different stages. The responsibility for preparing the budget falls under a special committee called “Budget Preparation Committee” which is headed by the Chairman of the Board of Director or the delegated person. The committee consists of the following representatives: the General Director, the Financial Manager, the Planning Manager and the Program Managers.
- 5.1.2 The purposes of the budget preparing are:
  - 5.1.2.1 Determine the Budget of the programs and projects related to the Association in accordance with the strategic goals of the programs within a specific period of time.
  - 5.1.2.2 Determine the cost center of programs in terms of operational budget, Development Budget and the costs of delivered services.
  - 5.1.2.3 Providing a basis for financial analysis
  - 5.1.2.4 Supervisory tool to preserve and maintain property.
  - 5.1.2.5 Providing financial tables and reports for supervision and planning purposes.
  - 5.1.2.6 Comparing the actual budget versus the planned and approved budget by the management, and concluding the degree of deviation (standard Deviation) as well as comparing the data of two financial periods to identify any differences and the reasons behind them.
  - 5.1.2.7 Support acquisition of audited financial data for internal and external purposes.

#### **5.2 Mid-Term Budget Preparation Procedures**

Each program management is responsible for preparing its own budget in cooperation with the Financial Department and the General Director. The budget preparation committee must, set out the technical outlines of the mid-term budget, which covers a period of three financial years, and includes an annual budget for the first year, and planning expenditures for the following two years. This budget must at least include the following:



- a. Expected results (outputs of services to be delivered), including performance indicators.
  - b. Annual action plan, and to which extent it's consistent with the activities under the strategic goals and projects of the Association.
  - c. A timeframe of the activities and tasks during the financial period, under each program.
  - d. Budget preparation activities should be performed by the management of each program with the assistance of the Financial Manager, in order to develop a specific budget based on the program budget and performance, and in accordance with the Association's action plan and strategic plan.
- 5.2.1 The financial Manager must coordinate the budget preparation activities in agreement with the General Director, and other relevant actors in the Association, such as the Board of Directors, through a timeframe that details the stages of budget preparation (budget preparation calendar) as per the following stages;
- 5.2.1.1 The Chairman of the Board issues the instructions for the annual Budget Preparation, and establish the Budget Preparation Committee as well as determining the role of each member within the Committee to avoid any conflict of authority, before the middle of August of each year.
- 5.2.1.2 The Program Management work on the following:
- 5.2.1.2.1 Reviewing and revisiting the current strategic goals and adjusting them to remain in line with the sectoral policies and the national policy priorities. Adjustments are approved by the General Director and the Board of Directors, no later than September 1<sup>st</sup> of each year.
  - 5.2.1.2.2 Determine the goals and objectives of each year of the mid-term budget, and approve them by the General Director and the Board of Directors no later than mid-September of each year.
  - 5.2.1.2.3 Determine the outputs for each of the objectives (whether project outputs or non-project/programs), as well as the activities (work tasks) for each of the outputs, no later than October 1<sup>st</sup> of each year.



- 5.2.1.3 The Financial Manager performs the following duties:
  - 5.2.1.3.1 Set the financial projection for each year of the mid-term budget through:
    - 5.2.1.3.1.1 Determine the financial resources of the previous three years and estimate the upcoming three years based on a set of assumptions.
    - 5.2.1.3.1.2 Plan the expenditures of activities and outputs through the budgeting system (Al Aseel) software.
    - 5.2.1.3.1.3 Present the expenditure plan for each of the strategic goals and expected financial resources and the financial gap for each year of the budget to the Budget Preparation Committee to decide on it.
    - 5.2.1.3.1.4 Revise the budget on the budget preparation system based on the budget preparation committee's decision no later than the end of October of each year.
  - 5.2.1.4 The General Director, in cooperation with the Board of Directors revises the budget in order to pass it and send it to the approving donors no later than the middle of November of each year.
- 5.2.2 Procedures after approval of the budget by the donors
  - 5.2.2.1 The Board of Directors Approve the budget.
  - 5.2.2.2 The Financial Manager enters the approved budget to the budget financial system.
  - 5.2.2.3 After finalizing the approval of the annual budget, the Financial Manager then prints and disseminates the strategic objectives' budget (operational and development budgets without the budgeted salary of the staff) to the Program Managements and Branch Managers for the purpose of planning their procurement activities.
- 5.2.3 If approval By the Board of Director is delayed for any reason, the Chairman of the Board of Directors may continue the spending process based on the rule 1/12, as a temporary annual budget. That Means, spending 1/12 of the actual expenditures of the previous year each month is authorized, until the current annual budget is approved no later than end of March of the annual budget year.
- 5.2.4 During the preparation of the annual budget, the Financial Manager must pay attention on the segregation of the fund, based on whether the fund is unrestricted, temporarily restricted, or permanently restricted. Moreover, the segregation of the fund must also be classified based on the source of

- funding. For example, if the source is a grant, the spending is categorized based on the projects under each grant in the proposed annual budget.
- 5.2.5 In case of an excess in funds at the end of a year, after all expenditures are executed, the excess is transferred as an income in the budget of the next year, unless instructed otherwise by the donor.
- 5.2.6 The Association may not commence spending or payments without this procedure, or unless the spending is in line with the annual budget items, with exception to cases explicitly approved by the Board of Director.
- 5.3 Expenditures or Additional Liabilities Not Listed in the Budget**
- 5.3.1 The Board of Directors may approve any expenditure is not explicitly listed in the annual budget. Such approval should not be made unless for exceptional and unusual cases, the occurrence of which is beyond the control of the Association due to force majeure.
- 5.3.2 Reducing or reallocating the annual budgets items: Any deletion, transfer, reallocation or reduction of the listed expenditures in the budget, or the financial estimation listed in the annual budget, are subject to the approval of the Board of Director and/or contacting the relevant donor to request permission and approval, unless stated otherwise in the signed agreements. Provided that resorting to such approval is only for exceptional and unusual cases beyond the control of the Association due to force majeure.
- 5.3.3 Accrued liabilities and commitments: if the Association is subject to financial liabilities or commitment of any time of the fiscal year, which were not payed or listed in the financial statements, then these liabilities and commitments must be addressed in the annual budgets of the next year, under the item “previous years commitments and liabilities.



Form No. ( )

**Preparation of Mid-Term Budget  
Red Crescent Society for Gaza Strip  
Estimated Budget for the years 2018-2020**

**Levels of Budget Development**







## Chapter 6

### Revenue

#### 6.1 The Red Crescent Society Gaza Strip Obtains its Revenues from the Following Sources:

- a. Local, regional and international grants and donations that are in line with the objectives and goals of the Association.
- b. Revenue from the Provided services in accordance with the policies approved by the Board of Directors.
- c. Membership fees.
- d. Investment and deposit revenues.

#### 6.2 Procedures Relevant to the Sources of Revenue.

Accountability for revenues: In order to apply the best practice rules and procedures regarding the sources of revenue and recording it, the following procedures shall be followed:

- 6.2.1 Recording revenues must be in line with applying the accounting procedures in accordance with the international accounting best practice which is the accrual basis method whereas it recognizes the occurrence of revenue regardless of the source of funding, including external grants, which is due upon signing of agreement as follows:

**Dr. Donors Due grants**

**Cr. Temporary Restricted Revenue**

The above entry is recorded with the amount of the grant both in ILS, which is the main currency of the Association, and the currency of the grant itself, as stated in the agreement if it is not the ILS Currency.

- 6.2.2 Upon reception of the revenue, a transaction of registering the revenue must be initiated through registering it in the financial system and documented via issuing a receipt voucher as follows:

**Dr. Bank**

**Cr. Donors Due Grants**

In case of cash reception in the bank, the received amount is usually in USD. In this case, the credit accounts must be in the original grant currency with its equivalent in USD.

### 6.3 General Procedures Related to Revenue from Donors

- Grants from donors are received in the single bank account.
- Regarding project grants, the following procedures must be followed:
  - If the agreement does not require opening a separate bank account for the grant, the Association may deposit the grant amount in its single bank account, provided that the project has its own accounting records, separate from the single bank account records. This facilitates the process of internal and external audit, which also facilitates preparing and submitting the financial reports to the donor.
  - In case the funding is tied to projects, it is recommended to open a separate bank account for each project grant to avoid any errors that may occur from bank reconciliation when depositing the grant in the single bank account.
  - Ensure that the received payment matches the payment schedule which is usually included in the agreement. In case of any discrepancy that exceeds the bank fees amount, the Association must delay issuance of receipt voucher, and inform the donor in writing.
  - Until the matters related to payments are settled, an original receipt voucher, stamped, signed and dated, is issued to the donor upon receipt of payment (in accordance with the bank statement), along with a letter of gratitude, signed by the appropriate managerial level, usually the General Director or the Chairman of the Board of Directors.
  - Upon signing the agreement with the donor, a separate file is opened for each grant, where it's kept in a closed place. The use of the grant file is limited to the authorized managerial level. The file should include the following information:
    - ✓ A copy of the approved project proposal
    - ✓ A copy of the original agreement signed with the donor
    - ✓ A summary of the agreement term
    - ✓ A copy of any amendments to the agreement
    - ✓ A copy of all written communication relevant to the grant
    - ✓ A copy of the receipt vouchers through which the payments transactions are recorded.
    - ✓ A copy of the financial reports submitted to the donor.
    - ✓ Any other relevant official documents.
- The Association must follow up with the financial matters regarding the agreement continuously. These matters include:
  - The duration of the agreement, ensure the association is adhered to the specified period in the contract. In case an extension is needed, the donor must be informed with it officially in writing beforehand.



- Schedule of payments to be received from the donor. The Association must ensure requesting the payments on timely basis.
- A list of financial reports to be submitted to the donor as per the agreement. The Association must follow up with the due dates of these reports as well as the types of these reports.
- Regular reports must be submitted to the Board of Directors about the financial status of each grant. Each report must clarify the following:
  - ✓ The budget allocated to each objective and expenditure item.
  - ✓ Actual expenditures
  - ✓ Remaining balance
  - ✓ Whether there are any liabilities regarding the remaining balance.
  - ✓ Any other notes
  - ✓ Each report must be dated, and the financial period that covers to avoid any replication in the reports.
  - ✓ A copy of each report must be archived in the grant file.

## Letter of Confirmation of Grant Reception Form

Date:

Name of the Donor's contact person: \_\_\_\_\_

Job title: \_\_\_\_\_

Address: \_\_\_\_\_

Subject: Grant Reception

Greetings,

We would like to thank you for transferring the payment No. (-----) which we received in our bank account No. \_\_\_\_\_ on \_\_\_\_\_ with the value of-----. This is a notice from us that we have received the transferred amount.

Best Regards,

Name and Signature:

## 6.4 General Procedures Related to In-kind Revenues

6.4.1 As part of the revenues policy of the Association, some of these revenues are classified as in-kind revenues, and must be recorded according to the fair value, which is the amount to be paid in normal conditions to purchase a specific item or service of the same quality.

6.4.2 In kind revenues fall under two categories:

- Goods
- Services

6.4.3 The following procedures are related to the in-kind grants for goods.

- The specialized staff must issue an in-kind receipt voucher when receiving goods from donors applying the following procedures:

6.4.3.1 When receiving in kind donation, the serial receipt form is prepared (in kind receipt voucher), stating the following:

- ✓ Name and address of the donating party
- ✓ Type of goods
- ✓ Unit of measurement
- ✓ quantity
- ✓ Status of the item (new, used, etc.)
- ✓ Date of receiving the goods
- ✓ Name and signature of the receiving person.

6.4.3.2 Issuing a receipt letter to the respective donor party confirming the received items, a copy of the letter is archived in the records, to document the received quantities.

6.4.3.3 The association requests the donating party to assist them in estimating the price of the donated goods, by acquiring a copy of the purchase invoices for these items. In case this was not possible, the association may require the assistance of a person who is able to estimate the fair value of these items.

6.4.3.4 Upon estimating the fair value of the in kind, it must be recorded in the financial transactions.

Dr. expenditures (or fixed assets)

Cr. in kind revenue

6.4.4 With regard to intangible in-kind donation, such as covering travel expenses, or providing a place for residence and convention attendance, the value of these contributions must be estimated and recorded according to the following procedures.



- Intangible in kind revenues fall under the following categories:
  - Attending conferences and meetings
  - Training
- The Association contacts the inviting party to know the following:
  - Cost of training
  - Cost of accommodation
  - Cost of travels
  - Any other expenses the inviting party is covering.
- In case that was not possible, the Association may require the assistance of a person who is able to estimate the fair value of these expenditures.
- Upon estimating the fair value of the in kind, it must be recorded in the financial transactions.
  - Dr. expenditures (or fixed assets)
  - Cr. in kind revenue

#### **6.5 Procedures of Estimating the Fair Value of in Kind Donations if the Standard Procedure is not Possible:**

- 6.5.1 The Financial Manager is to contact the service providers or suppliers to obtain three price quotations for the purpose of comparison and deducting the average price.
- 6.5.2 The value is recorded according to the average fair value
- 6.5.3 The value is recorded as in-kind revenue.
- 6.5.4 The donating party is informed with the estimated fair value, and an in kind receipt voucher is issued.
- 6.5.5 The relevant financial staff must follow the procedures stipulated in the adopted bylaws to document the revenues and follow up with the collection on timely basis.
- 6.5.6 The management of programs and branches must deposit the collected revenues immediately in the single revenue bank account. They may not use the revenue for any purpose.
- 6.5.7 Revenues from investment of the RCS is transferred into the single revenue bank account.
- 6.5.8 After documenting the collected revenues by the relevant financial staff or the delegated party, a receipt voucher must be issued for the collected revenue.
- 6.5.9 All the collected cash revenues must be deposited in the single revenue bank account by 12:00 pm every working day.
- 6.5.10 Collected revenues are deposited in bank account opened by the Board of Director for that specific purpose. Withdrawal from these account is absolutely prohibited.



- 6.5.11 The cumulative account balance is transferred from the single revenue bank account to the main bank account of the association.
- 6.5.12 A receipt voucher is issued in the same collected currency and transferred to the single revenue bank account. A report is then prepared, stating the collected currency.
- 6.5.13 The receipt order, of which it has three copies, consists of the following data: The total amount accrued, type of currency, account no., name of the payer, date, full name and signature of the staff member received the revenue.
- 6.5.14 The Treasurer hands the first copy of the receipt voucher to the payer. The second copy is attached to the receipt order and referred to the financial staff who is responsible for holding the treasury record. The third copy of the voucher remains in the book in the custody of the Treasurer for audit purposes.
- 6.5.15 The list of collected financial revenues is signed by the Program Manager, or the authorized staff member to ensure that the amount stated in the receipt order is matching with the issued receipt vouchers, as well as the accuracy of the other data in the order.
- 6.5.16 If there was an error in the receipt voucher, the voucher is then canceled and the reason for cancelation is stated. The voucher must be marked with two crossing lines and stamped with a "VOID" stamp and its serial number is archived in the book. Another voucher is then issued.
- 6.5.17 The Treasurer writes down the canceled vouchers in the canceled receipt vouchers record, and submits a signed monthly list to be signed by the Financial Manager, the assigned staff and the internal monitor.
- 6.5.18 Collection through bank transfers: it is allowed to collect through bank transfers in exceptional cases, upon which an agreement is made between the relevant party and the Association. Collection through bank transfer is done only for revenue bank account is opened specifically for that type of revenue, according to the following procedures:
  - a. The financial department must receive all of the transfers and the recorded financial transactions of entry from the banks on a daily basis and submit it to the Treasurer in order to issue a receipt voucher for each transfer separately. The voucher states the transfer number, the transferring party, the date of entry and amount transferred. The Treasurer sends the first copy to the payer, while the second copy of the voucher is sent to the



financial staff who is responsible for holding the treasury record to enter it in the record. The third copy of the voucher remains in the book for audit purposes.

b. Collecting via checks: A) a check is accepted regardless of its amount if the issuer is a governmental department or a local committee or a public corporation. B) a check is accepted without certification from the bank if it was of less than 1000 USD. Multiple uncertified checks may not be accepted from one party if their combined values exceeded 1000 USD. C) A check issued by unnamed parties may not be accepted if its value exceeded 1000 USD, unless it was certified by the bank. D) An uncertified check may not be accepted from any party regardless of its value if a previous check from that party was bounced. E) the Treasurer or the financial staff responsible for collection, must audit the check before receiving it to ensure that it meets the following conditions: 1) to be issued through a licensed bank, from the authorized person's account. 2) Issued to the relevant program of the association. 3) it is matured from the date of issue 4) signed by the issued party 5) its value in digits matches the value indicated by the written words. 6) issued in the same currency of collection.

c. After ensuring the check meets the conditions mentioned above, the Treasurer then deposits it in the account, and issues a receipt voucher. The first copy of the voucher is sent to the payer, the second is sent along with attachment of the transfer notice to the financial staff who is responsible for holding the treasury record to enter it in the financial system, and the third copy remains in the book for audit purposes.

- 6.5.19 The financial staff prepares the weekly collection report of all collections made in the various methods and submits it to their supervisor for approval, then to be sent to the Financial Manager.
- 6.5.20 The report for the final week of each month is prepared at the end of the month regardless of the working days of it.
- 6.5.21 The Financial Department must conduct a monthly reconciliation (bank reconciliation) between the bank statement and the revenue main bank account in the general ledger, and submit a copy of it to the internal auditor and another copy to the General Director.
- 6.5.22 The Financial Department must prepare the monthly revenue report and submit a copy to the internal auditor and another to the General



- Director, signed by the Financial Manager, no later than the end of the first week of the following month.
- 6.5.23 The internal auditor makes sure of the accuracy of data and sends their notes to the General Director and the Chairman of the Board of Directors.
- 6.5.24 The Financial Department must take precautions to protect its cash deposit and financial papers of monetary value, including providing the Treasurers with steel safes to be installed in a suitable and safe place, and insuring them against theft and fire.
- 6.5.25 Moving cash between two locations: A) Cash amounts not exceeding 10,000 ILS are transferred via one of the Financial Department staff members. B) Cash amount of more 10,000 ILS and not exceeding 50,000 ILS are transferred via a vehicle with two of the financial department staff members. C) Cash amount of more than 50,000 are transferred via a vehicle with two of the Financial Department members, accompanied by security (police). D) The department may insure the transfer of money, with written approval of the General Director.
- 6.5.26 Refund of collected revenues: collected revenues may not be refunded except for the following situations: A) if they were collected by mistake. B) if the payer was not able to receive the service.
- 6.5.27 Undue revenues are returned upon decision by the General Director, relayed via written instructions to the relevant managerial levels.
- 6.5.28 The General Director or a delegated person are authorized to discount the service fees charge by an amount not exceeding 25% of the service fees charges.
- 6.5.29 Revenues may not be refunded in any case if proof of receipt is destroyed, unless the General Director decides otherwise.
- 6.5.30 Collected revenues are refunded upon a receipt order, with which proof of receipt is attached, including the name and number of the account.





## **Chapter 7**

### **Expenditures**

- 7.1 All programs must adhere to the annual general budget by law, the approved located budget is considered the maximum amounts allowed to be spent or obligated for the current financial year for each of the programs. Upon the approval of the annual budget by the Board of Directors, the Financial Department shall inform all the programs of their approved allocations in the annual budget. These programs are responsible for applying the annual budget bylaw as per their allocations.
- 7.2 Upon approval of the annual budget, each Program Manager is authorized to spend in accordance with the procurement procedures effective in the Association.
- 7.3 Addressing new budget items that are not listed in the program budget may not be accepted without the approval of the Board of Directors, and/or the donors who must specify the name and number of the account after completing all the required legal procedures.
- 7.4 Expenditures may not be spent before securing its funds. It is necessary to attach the documents that support their expenditures and its compliance with the bylaws and the effective systems in the Association, as well as approve it by the internal auditor
- 7.5 Due to the importance of the payroll salary component, which is the major part of the association's spending, salary expenditures are paid in accordance with the following policies and procedures:
  - 7.5.1 Each staff member must have a file that contains the following as a minimum requirement:
    - ✓ Curriculum vitae
    - ✓ Academic qualifications
    - ✓ Job contract, stating the salary and other entitlements of each staff member.
    - ✓ Credentials
    - ✓ Personal photograph (colored)
    - ✓ Documents proving tax exempts
    - ✓ Warnings and promotions, etc.
    - ✓ Copies of all relevant communications.
  - 7.5.2 Files must be organized chronologically, and archiving any unnecessary documents must be avoided.
  - 7.5.3 Staff files must be continuously updated with any recent changes with regard to their job position.



- 7.5.4 Files must be kept in a safe and closed place, and access to them must be limited to the authorized staff.
- 7.5.5 A daily work time record for each staff member must be kept (via electronic system or manually in case the electronic system is out of order) including staff names, arrival and leaving hours, in order to monitor the actually working hours of the staff. This record must be filled and signed by the staff, and certified by the direct supervisors on a daily basis. The daily work report is issued via the arrival and leaving monitoring device (finger print device).
- 7.5.6 The Financial Department prepares the staff payroll according to their names, their salaries, and bank account number for each staff, nine days prior to the end of the month. The information of the payroll salary shall be based on the staff contracts, files, and attendance sheet.
- 7.5.7 The Financial Manager must review the monthly payroll, through revision and recalculation, taking into consideration the following issues:
- Comparing between the current and previous monthly salary, and identifying any differences to be justified.
  - Calculate any raises (annual raise, rewards, allowances) or deductions (punishments, absence from work, loans and debts) if existed.
  - Deduct the staff contribution to the taxes and pension, supported by official documents (rent contracts, alimony certificate, etc.).
  - Deduct staff loan payments if there is any.
- 7.6 The Financial Manager signs the payroll (after amendments) and submits it to the General Director to be signed. The accountant then does the following:
- Prepare an official letter to the bank to transfer the salaries to the staff bank accounts (based on the payroll, indicating the full names and account number and salary amounts), as well as an official letter to transfer the End of Service reward to the End of Service account if existing, and another letter to transfer the income tax amounts as well as any other liabilities to the Pension Agency.
  - Prepare two copies of the salary slip for each staff member (a copy send by e-mail to the staff, and another to be kept in the file). The slip clarifies the basic salary, raises, income tax, pension agency/retirement contribution as well as the association contribution, and any other deductions and liabilities to reach the net salary.
  - The authorized signatories sign the letters mentioned above and sent to the bank for action. The Financial Manager then issues a memo and a payment voucher with the total salary amount, and attach the proper accounting instruction to the payment voucher, then enters the voucher



into the accounting system based on the activities cost center. The Financial Manager then issues the trial balance, financial data, and salary reports for audit.

- h.** Paid overtime hours are pre-approved via signing the overtime form. The form must be signed by the authorized manager in the Association (the Program Manager and the General Director).

## **7.7 Project Salaries**

- 7.7.1 The Association adheres to the agreement signed with the donor with regard to the salaries item.
- 7.7.2 With regard to the full-time staff working on the project, their entire salary is charged against the project's budget based on their daily attendance sheet.
- 7.7.3 Staff who work on more than one project must prepare a report with the time allocated to each project/activity, clarifying the main tasks performed by the staff during the month, with the approximate time required for each task. The report is prepared on a monthly basis and signed by the staff member, then approved by their direct supervisor at the end of each month. Percentages of the salary are then paid from each project in accordance with the actual working hours allocated to it or based on the agreement with the donor.
- 7.7.4 Salaries are paid in the original currency of the project from the Association's main bank account, unless there is a different agreement.
- 7.7.5 Salaries are transferred from the project bank account to the Association's main bank account and documented through the accounting entries.

**Red Crescent Society for Gaza Strip**  
**Form No. ( )**  
**Daily Attendance Sheet Form**

**Staff Name:** ..... **Job Title:** .....

Date	Day	Time In	Signature	Time Out	Signature
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
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21					
22					
23					
24					
25					

Reviewed By

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Approved By

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**Red Crescent Society for Gaza Strip**



Form No. ( )

**Overtime Hours Form**

Date	
Staff Name	
Job Title	
Project Title	
Reason for Overtime	
No. of the Required Overtime Hours	

-----  
Staff Signature

-----  
Management Decision and Signature

**Red Crescent Society for Gaza Strip**  
**Form No. ( )**  
**Projects' Time Allocation Form**

Projects' timesheet for the month of ..... of the year.....

Date	Day	Project 1	Project 2	Project 3	Project 4	General	Total Hours
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
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31							

-----  
Staff signature

-----  
Management Signature

-----  
Date

-----  
Date

- 7.8 Electricity and water bills are paid after attaching the proper documents and fulfilling the following conditions: A) Subscription must be made under the name of the Association or the program. B) the subscription must be listed in the subscription lists and the addresses of the Association's branches. C) The bill is paid as per a supplier's invoice, stating the consumption period, amount, and price of the service, and after approval by the relevant party in the association with the proper spending authority, as a notice of auditing the invoices.
- 7.9 Communication expenses made from official landlines and mobile phones are paid under the following conditions: A) The lines must all be registered under the Association/program name. B) Subscription must be listed in the lists of addresses of the Association branches. C) Bills are paid by decision of the Board of Directors regarding the approved bill amounts for the following managerial levels:
- a. Board of Directors (up to 200 ILS)
  - b. Director General (Up to 400 ILS)
  - c. Program Manager (up to 300 ILS)
  - d. Department Director (up to 200 ILS)
  - e. Otherwise (up to 150 ILS)
- 7.10 With a decision from the Director General, program staff may use cell phones if the nature of their work requires that. Invoices for these devices are issued accordingly.
- 7.11 A record of the vehicles used by the Association staff is kept, including their license plate, brand, the staff holding the vehicle in custody, the program under which it's used, and the nature of use. The Maintenance Department, in coordination with the Financial Department are hold responsibility of the vehicles, including applying the procedures and code for their use, fuel, maintenance and insurance. Maintenance, fuel and insurance costs are accounted for after approval by the proper management level.
- 7.12 The Financial Department records the financial orders for running, capital and development budget in its record via an entry voucher as follows;
- Dr. Expense Account
  - Cr. Funding donors
- 7.13 The Financial Department must use a special form to register the supplier and other entitlement accounts. The form shall include the account name and code are stated after approval by the financial staff, and after ensuring no other account is opened for the same party, a notification letter is sent to the accountant to open the account.