



صندوق تطوير وإقراض الهيئات المحلية
Municipal Development & Lending Fund



Financial Policies and Procedures Manual

2023

Distribution:

<u>Name</u>	<u>Title</u>

Revision History:

<u>Revision</u>	<u>Date</u>	<u>Description of Changes</u>	<u>Requested By</u>
0	16 December 2009	Initial Release	
1	15 February 2010	Modify flow charts	MDLF Management
2	24 May 2010	Change management fees	MDLF Management
3	1 November 2017	Changing the authorized persons	External auditor
4	1 November 2017	<p>Adding annex no1 covering</p> <ul style="list-style-type: none">• Financial arrangements for giving more authority to Municipalities in Financial Management.• Arrangements for recurrent expenditures for Gaza Municipalities	Financing Partners
5	11 April 2020	Modify the eligible recurrent expenditures and including West Bank municipalities in addition to Gaza Municipalities to deal with the COVID 19 pandemic crisis.	Financing Partners

Table of Contents

Table of Contents

	<u>Page</u>
Introduction.....	2
Budget and Cash Forecasts.....	5
Grants Management.....	20
Cash Handling.....	34
Procurement and Accounts Payable.....	85
Fixed Assets	95
Payroll.....	118
Closing.....	132
Reporting.....	138
Structure and Jobs Descriptions.....	160

Introduction

Welcome to the MDLF Accounting Manual

Welcome to the MDLF Financial Policies and Procedures Manual. Treat it well and find it easy to use!

This manual incorporates, to the extent possible, the World Bank's Financial Management Guidelines, as agreed with all donors in the appraisal mission and the Memo of Understanding. However, MDLF might use other procedures and arrangements required by other donors if agreed with MDLF.

What is this Manual?

The Manual sets detailed guidelines for the Financial Department and its employees to assist them in ensuring the orderly and efficient management and control of all program resources, and to render proper accountability to all stakeholders. It is concerned with effective financial control over program assets, liabilities, funds, and expenditure together with the systems required to account for the financial operations of the program. In sum, the policies and guidelines convey procedures for sound financial management and administration of the Financial Department's work. In specific terms, the policies and procedures are designed to:

- Promote orderly, economic, efficient and effective operations consistent with program objectives;
- Minimize and attempt to prevent and detect fraud and errors;
- Ensure accuracy and completeness of the accounting records;
- Facilitate timely preparation of financial information and ensure that financial statements are fairly and accurately presented;
- Safeguard program assets; and
- Ensure compliance with applicable laws, financial policies and regulations.

Who should use this Manual?

Financial Department Staff are expected to be the main users of this Manual. However, Managing Directors may find it useful when considering the financial implications of entering into a contract.

Do I have to implement all the procedures in this Manual?

The Manual is a guideline, however generally it is anticipated that users should follow the policies outlined in the manual, unless there is a justified reasons to depart from them. In case of departure, proper approvals should be obtained and maintained.

How is it set out?

The Manual is clearly set out, with each broad area as a chapter heading. Each chapter clearly explains its purpose, policy, and procedures followed by process maps in order to facilitate quick references and understanding of processes.

Introduction

What are the subjects and areas covered by this Manual?

This Manual covers areas that are deemed necessary for the MDLF Financial Department in order to run their activities smoothly and properly. These areas are as follows:

- Budget and Cash Forecasts
- Grants Management
- Cash Handling
- Procurement and Accounts Payable
- Fixed Assets
- Payroll
- Closing
- Reporting

Who is responsible for ensuring these procedures are followed?

The Financial Department of MDLF is in charge of implementing this Financial Policies and Procedures Manual. The Financial and Administrative Manager must review and approve, if possible, significant deviations from the policies outlined in this Manual. All employees at the Financial Department are expected to be familiar with and comply with the policies and procedures set forth in this Manual. Further, they are also expected to be familiar with the accounting and reporting policies.

The Audit Committee of the Board of Directors might appoint an internal auditor to make sure that this manual is being complied with, as this is important for the Audit Committee to discharge their duties.

How often and how will this Manual be updated?

There is no fixed schedule for updating this Manual. Updates will be carried out on an ad hoc basis, when necessary, rather than on a certain timetable. Any significant revision proposed to the manual should be approved by the MDLF Board of Directors upon recommendation by the Financial and Administrative Manager to the General Director.

Can we distribute or share this Manual?

This Manual is for distribution within the MDLF only. Copies should not be made available to other individuals or parties outside the MDLF without prior approval from the General Manager and the MDLF Board of Directors.

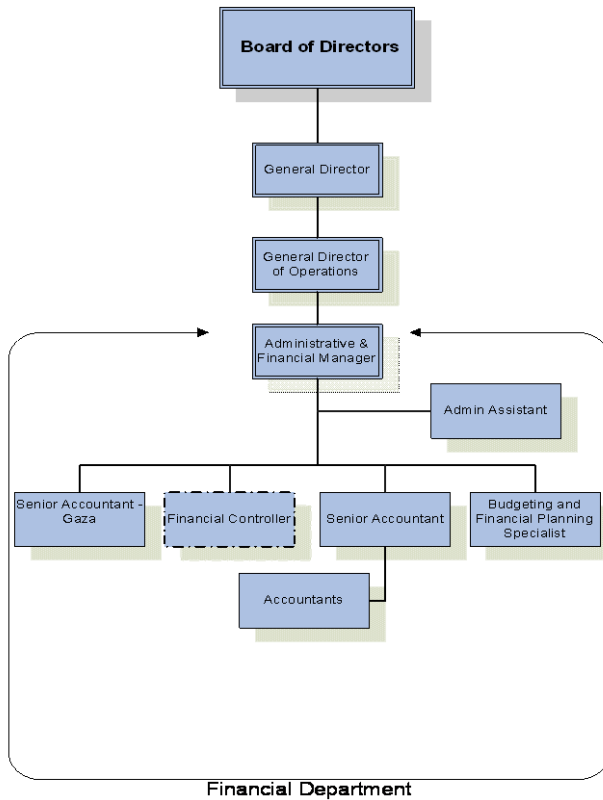
Where is the Accounting Policies and Reporting Manual?

An Accounting Policies and Reporting Manual has been developed as a separate document from this Manual. The Accounting Policies and Reporting Manual sets out the basic principles of International Financial Reporting Standards (IFRS). It states the standards and guidance needed to be followed in order to produce financial statements that are in accordance with IFRS. It also includes the key principles of IFRS and sets out the basis for the conceptual framework, which should be used as a point of reference by preparers of financial statements in the absence of specific guidance.

Introduction

The Organization of the MDLF Financial Department:

The MDLF Financial Department should be organized according to the following structure:



The structure can also be found in the Organizational Structure and Job Descriptions section of this Manual.

Budget and Cash Forecasts

The purpose of this section is to set responsibilities and requirements for budgeting and cash projections in the MDLF.

I. Budget Preparation

Purpose

To have an adequate budget setting process in place, in line with the organization's needs and objectives.

Policy

Preparation:

1. Budgetary accounting is a management control technique employed to assist in controlling expenditures and in forcing revenue restrictions.
2. The budget shall cover both operating expenditures of the MDLF staff as well as grants and disbursements.
3. Budgets should be prepared on an annual basis but analyzed by quarter.
4. The first step in preparing the budget would be identifying the expected programmes and disbursements to Local Government Units and the related grants and donations. Based on that, management should prepare the budgeted revenues. Budgeted revenues are mainly dependent on the calculated management fees. Accordingly it is based on the budgeted programmes and the related disbursements to Local Government Units ("LGUs"). Consequently, this Budget should be initially prepared by the Technical Department in-coordination with the Financial Department.
5. Disbursements to LGUs are budgeted in accordance with the Transfer Mechanism, the priorities and the needs of the LGUs and with a warrant presented to the MDLF by the Board of Directors, and sets of the expected revenues from all sources (donors, Palestinian Authority ("PA") and/or etc...).
6. Disbursements to LGUs are not fully predictable at the time when the budget is prepared. These disbursements will depend on several factors that will unfold over the course of the budget year:
 - The project proposals made by the LGUs.
 - The actions of the MDLF Management for approving or rejecting LGU proposals.
 - The decisions of donors, the PA and other contributors as to the amounts they would provide to the MDLF and other restrictions they may impose on how their contributions to be used.
7. Accordingly, the budget for disbursements to the LGUs will need to be adjusted from time to time during the course of the year.

Responsibilities

1. The Budgeting and Planning Specialist, acting under the direction of the Financial and Administrative Manager, is responsible for collecting the needs from the department's heads for the MDLF operating budget. Further, he is expected to get all the needed information from the Strategic and Planning Department for the MDLF disbursement

Budget and Cash Forecasts

Budget to LGUs. Accordingly, this will enable him to prepare the first draft of the annual budget.

2. The Budgeting and Planning Specialist is responsible for submitting the initial budget to the Financial and Administrative Manager.
3. The General Director is responsible for proposing a budget to the Board of Directors.
4. The Board of Directors is responsible for approving the budget.
5. The General Director, with the assistance of the General Director of Operation and the Financial and Administrative Manager, is responsible for administering the budget and ensuring that funds are received and disbursed in accordance with the budget.
6. The General Director of Operations and the Financial and Administrative Manager are responsible for monitoring actual revenues and expenditures by comparing them against the approved budget.
7. The Financial and Administrative Manager is responsible for submitting the relationship of actual revenues and expenditures to the budget for the following parties: the General Director, the General Director of Operations, department heads and staff of patterns.
8. The Financial and Administrative Manager is responsible for recommending actions through the General Director to the General Director of Operations and department heads and staff to ensure compliance with the budget.
9. The General Director is responsible to keep the Board of Directors informed of patterns of actual revenues and expenditures and their relationship to the budget.
10. The General Director is responsible for recommending actions to the Board of Directors to ensure compliance with budget or propose modifications if warrants.
11. The Board of Directors is responsible for monitoring compliance with the budget, for formulating directives to the General Directors to ensure compliance, and for making modifications, as needed.

Budget analysis

1. Within fifteen days after the end of the first two Quarter, third Quarter, a written budget analysis shall be performed consisting of the following elements:
 - Actual revenues and expenditures will be compared to budgeted amounts; both for the current month and for the year-to-date (see formats below).
 - Significant variances will be noted and their causes determined.
 - Recommended actions to ensure budget compliance for the remainder of the year will be set forth.
2. The General Director will forward the budget analysis, in whole or in summary, to the Board of Directors along with recommended actions, if necessary.

Budget modification

The programme budget may require modifications during the course of the year. When changes take place, the General Director should present a report indicating the significant changes in the facts or assumptions underlying the current budget. If appropriate, the General Director should propose modifications in the budget to the Board of Directors.

Procedures

Budget and Cash Forecasts

1. The Budgeting and Financial Planning Specialist should prepare budget format, templates and budget procedures.
2. The first step in preparing the budget would be identifying the expected programmes and disbursements to Local Government Units and the related grants and donations. Based on that, management should prepare the budgeted revenues. Budgeted revenues are mainly dependent on the calculated management fees. Accordingly, it is based on the budgeted programmes and the related disbursements to Local Government Units ("LGUs"). This Budget should be initially prepared by the Technical Department in-coordination with the Financial Department.
3. The Technical Department should prepare the programme budget based on approved proposals submitted by municipalities and other related assumptions and expectations for the coming year. The budget for each quarter will reflect the detailed specifications for programme activities, schedules (including procurement plan), and expenditure on quarterly programme activities. Furthermore, the budget should be prepared using the Interim Financial Reporting (IFR) forms. Additionally, the Technical Department will provide its own running cost budget similar to other departments as further detailed in the next point.
4. The Budgeting and Financial Planning Specialist obtains the programmes' budget from the Technical Department and calculates the management fees.
5. The Budgeting and Financial Planning Specialist should prepare the revenues budget according to calculated management fees and then he should communicate the following with all departments:
 - Assumptions,
 - Budget procedures
 - Budget Formats and templates
 - Timetable and Key Dates
 - Budget constraints (revenues are already budgeted)
6. Each department head should complete the assumptions and templates within the stated timetable taking into consideration constraints provided. Each department head prepare the budget for the department based on assumptions and technical aspects of that department. For instance, the Human Resources department should take into consideration the hiring, firing, and increases in salaries and number of employees.
7. The Budgeting and Financial Planning Specialist should collect the sub-budgets from different departments. Further, he has to ensure the accuracy and completeness of the summary budgets. Based on the collected information, the Budgeting and Financial Planning Specialist should prepare the following detailed budgets:
 - Revenues and grants budget,
 - MDLF operating budget.
 - Programme budget,
 - Prepare Capital/investment budget,
8. The Budgeting and Financial Planning Specialist should prepare consolidated budget, and communicate it to the Financial and Administrative Manager who should:
 - a. **Review summary budgets:**

Budget and Cash Forecasts

- The Financial and Administrative Manager should review budget and assumptions against economic and business constraints;
 - Ensure that relationships between grants, programme expenditures, and operating expenditures are valid;
 - Review capital spend and investment and Returns;
 - Review growth of base business and new grants;
 - Ensure that non financial measures are consistent with financial.
- b. Agree accuracy and completeness of detailed budgets:**
- Drill down into detailed budgets;
 - Determine the major variables by quantity/value;
 - Challenge the budget holders assumptions;
 - Ensure that proposed investment is not exceeding targets and constraints in achieving proposed results;
 - Amend detailed budgets.
- c. Evaluate budget and assumptions against economic and business constraints:**
- Review variances with targets and goals;
 - Determine cause of variance;
 - Determine if targets are valid or amendment is required.
9. The Financial and Administrative Manager should provide his comments on the budget to the Budgeting and Financial Planning Specialist, who should communicate these comments to the department heads and adjust the budget accordingly. At this point the budget owners/departments heads should sign on the detailed budgets and assumptions,
10. After signing the adjusted budget, the Budgeting and Financial Planning Specialist should signoff the budget and send it back to the Financial and Administrative Manager,
11. The Financial and Administrative Manager should review and sign off the budget for completeness and accuracy and correct consolidation if necessary, and deliver it to the General Director of Operation for review.
12. The General Director of Operation should review the budget and submit it to the General Director for approval,
13. The General Director should review and sign the budget before delivering it to the Board of Directors for final approval.
14. The Board of Directors should discuss and approve the budget. In case the Board of Directors has any comments on the budget, management should perform the same above procedure to address the Board of Directors queries.
15. After obtaining the Board of Directors approval, the Budgeting and Financial Planning Specialist should communicate the approved budget to all departments.

Budget and Cash Forecasts

16. The Senior Accountant should prepare Semiannual for the first two Quarter and for the third Quarter comparison between the actual and budgeted amount, and submit it to the Budgeting and Financial Planning Specialist,
17. The Budgeting and Financial Planning Specialist should approve the variance report and submit it to the Financial and Administrative Manager for approval,
18. The Financial and Administrative Manager should :
 - Identify key variances against budget and forecasts by comparing actual performance reported with budget KPI's
 - Investigate all key variances,
 - Substantiate with justifiable reasons,
 - Ensure corrective measures in place to bring actual performance in line with financial targets and/or manage risk.
 - Communicate the variance report with the General Director of Operation and the General Director,
19. The General Director should communicate the variance with stakeholders such as the Board of Directors and donors.

Budget and Cash Forecasts

II. CASH FORECASTS:

Purpose

To provide guidelines for preparing cash forecast for MDLF request of a manual check.

Policy

1. Cash forecasts should be prepared on consistent basis to monitor and manage borrowings and idle cash.
2. Cash forecasts is the responsibility of the Financial and Administrative Manager, and should be reviewed by the General Director of Operation and approved by the General Director.
3. Cash forecasts should be prepared by the Senior Accountant on a quarterly basis i.e. (three months period), and should be submitted for donors upon request for advance payments, on a semi-annual basis.
4. The Board of Directors should be updated of the cash status every Board of Directors meeting, and when the shortage or idle cash is material.
5. All investments and borrowings for any amount should be approved by the Board of Directors.

Procedures

1. The Accountant should generate from the accounting system all information necessary to determine and identify cash sources as well as cash collection with due dates. Such cash sources include accounts receivable collections, donors' transfers and bank interest income.
2. The Accountant should generate from the accounting system all information related to cash requirements and cash payment dates. Such requirements include accounts payable to vendors, payrolls, and all other payments.
3. The Senior Accountant should compare the information to prepare cash forecasts and submit it to the Financial Controller,
4. The Financial Controller should verify that the information is internally consistent and submit the forecast to the Financial and Administrative Manager,
5. The Financial and Administrative Manager should:
 - Identify key variances against forecasts by comparing actual performance reported with budget KPI's
 - Investigate all key variances,
 - Substantiate with justifiable reasons,
 - Ensure corrective measures in place to bring actual performance in line with financial targets and/or manage risk.
 - Communicate the variance report with the General Director of Operation and the General Director
 - Manage cash accordingly

Budget and Cash Forecasts

6. The Financial and Administrative Manager in coordination with the Senior Accountant should manage cash accordingly, as follows:
- Availability of cash when issuing checks,
 - Invest idle cash in interest bearing accounts,
 - Determine the needs to obtain short or long terms loans,
 - Determine the amount of unearned revenue from management fees to be recorded.

Budget and Cash Forecasts

Annexes:

Time Schedule

Actions	Person responsible	Date
Warrant sets out total revenue and allocations	Board of Directors	October 1
Prepare budget first draft	The Budgeting and Planning Specialist with the assistance of other Departments heads	October 15
Review budget with General Director	The Financial and Administrative Manager/GDO	October 15
Submit budget to the Board of Directors	The GD	November 1
Making the modification needed by the BOD	The Financial and Administrative Manager/GDO	November 15
Submit final draft to the BOD	The GD	December 1
Approve budget	The BOD	December 15

CASH FORCAST TEMPALTE

Cash Flow Forecast - Summary Variance Analysis					
			Forecast	Actual	Variance
Opening Cash Balance			XXX	-	XXX
Cash Inflows					
Total Cash Inflows Before Borrowings					
Cash Outflows					
Total Cash Outflows					
Financing					
Net Financing					
Ending Cash Balance					

Additional Comments:

Cash Inflows [Insert commentary on key drivers]
 Cash Outflows [Insert commentary on key drivers]
 Financing [Insert commentary on key drivers]

Budget and Cash Forecasts

MDLF Budget Form

MDLF Budget For 2xx9							
	Organization Expenses	2xx8 Budget	Actual 2xx8	2xx9 Budget	Actual until (Month) 2xx9	Remaining	Reallocation Budget
Code	Operational Budget						
1.1	Basic Salary per year	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
1.2	Allowances	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
1.3	Severance Pay	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
1.4	Provident Fund	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
1.5	Health Insurance	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
1.6	Living Expenses	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
1.7	Bounces and Other Salaries expenses	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
	Total Personnel	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2	Running Costs						
2.1	Telephone , Mobile and ADSL expenses and fees	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.2	Office Rent for West bank and Gaza Branch	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.3	Stationary and Toners	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.4	Water Expenses	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.5	Electricity	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.6	Fuel for cars	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.7	Car Licenses	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.8	Car maintenance	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.9	Car Insurance	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.10	Hospitality	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.11	Internet Services, leased line and monthly fees	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.12	Promotional materials and website maintenance and development	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx

Budget and Cash Forecasts

2.13	Announcement and advertisement for procurement	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.14	Translation	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.15	Cleaning Material	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.16	Bank Charges	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.17	Hardware upgrading and accessories	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.18	Software Annual maintenance and upgrading	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.19	Training ,Memberships, Conferences and other staff development	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.20	Mail and newsletter distribution ,and other related expenses	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.21	Board of Directors per diem	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.22	International travel (Per Diems ,Accommodations, Transportation, Tickets)	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.23	Local Travel (Per Diems ,Accommodations, Transportation,)	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.24	Auditing ,Monitoring , Evaluation and Other consultancy Services expenses	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.25	Maintenance of equipment and other assets	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2.26	Miscellaneous	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
	General Insurance	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
	Total Running Costs	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
		\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
	Other Costs						
3	Legal Advisor	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
	Total Other Costs	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
	Sub Total for Personnel ,Running Cost and Other Cost	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
	(Capital Budget)						
	Furniture:						
4.1	Total Furniture West Bank and Gaza	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
	Equipment	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
4.2	Total Equipment	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
	Cars	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
4.3	Total Cars	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx

Budget and Cash Forecasts

	Software	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
4.4	Total Software	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
	<i>Total Furniture, Equipment, MIS and Preparing new premises</i>	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
5	Contingency	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
					\$ xxx	\$ xxx	\$ xxx
		\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx

Budget and Cash Forecasts

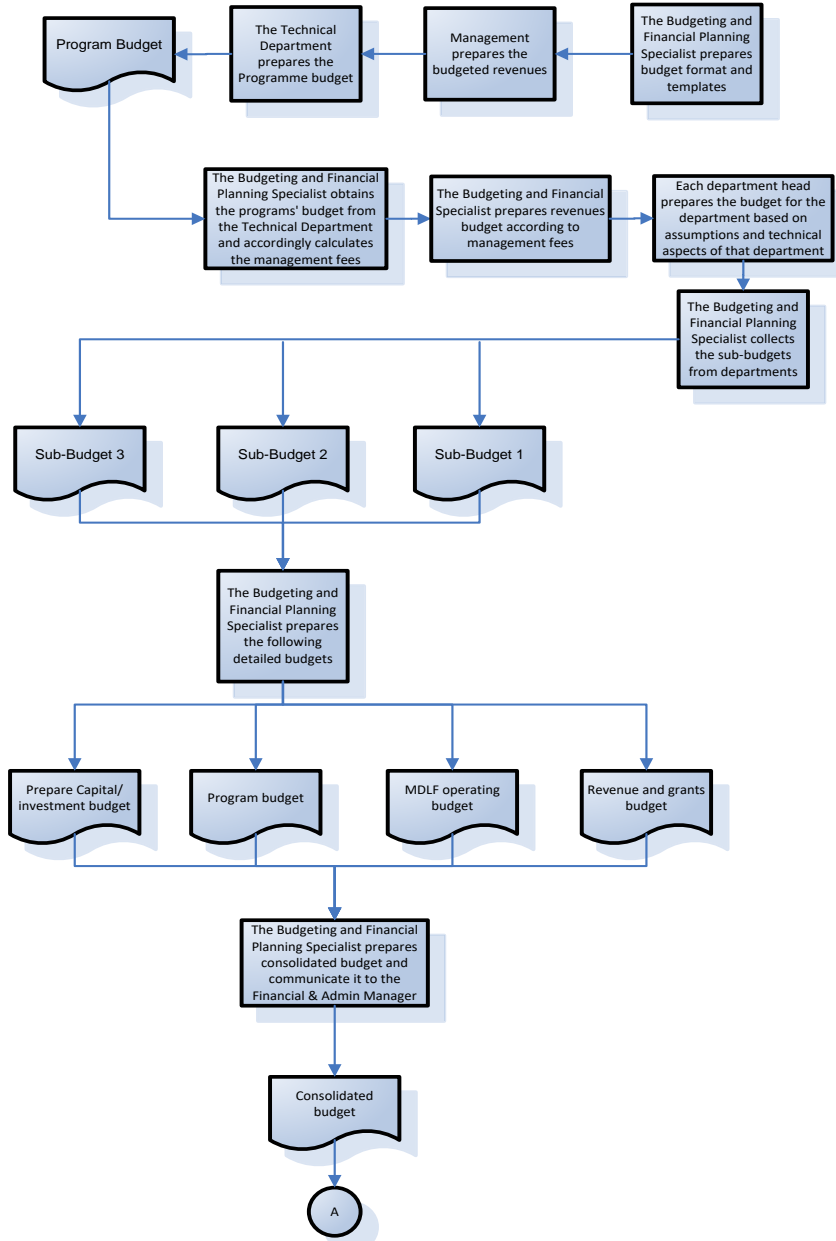
Interim Financial Reports (IFRs)

Interim financial reports forms can be found as annex to "Reporting Section" of this manual.

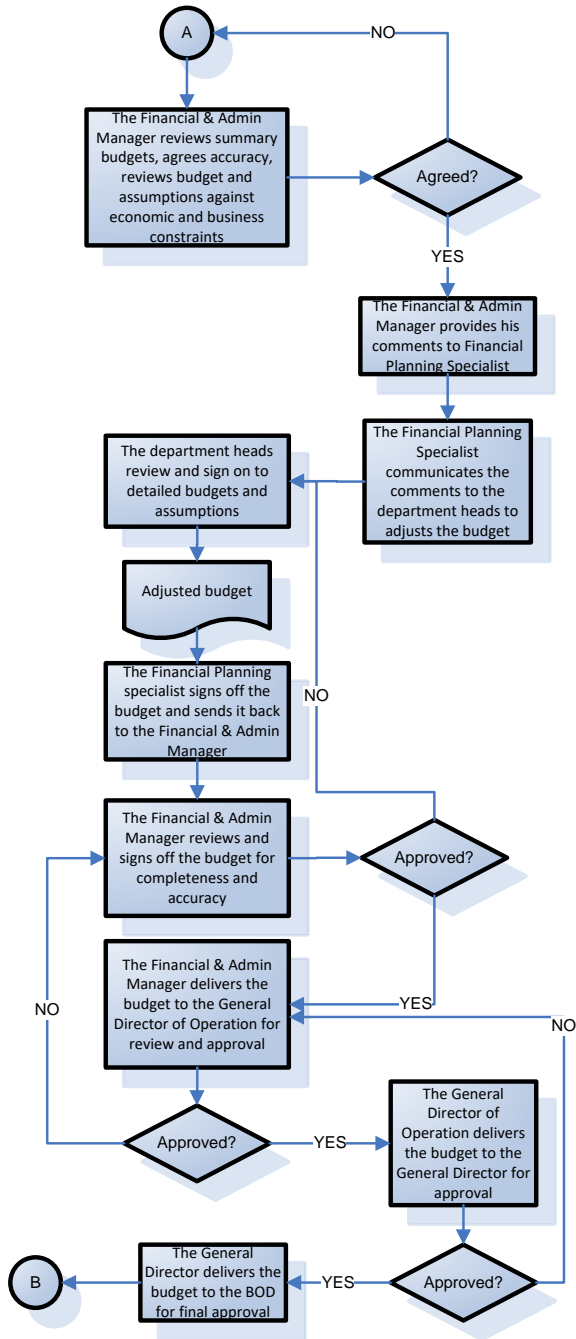
Budget and Cash Forecasts

Process Maps:

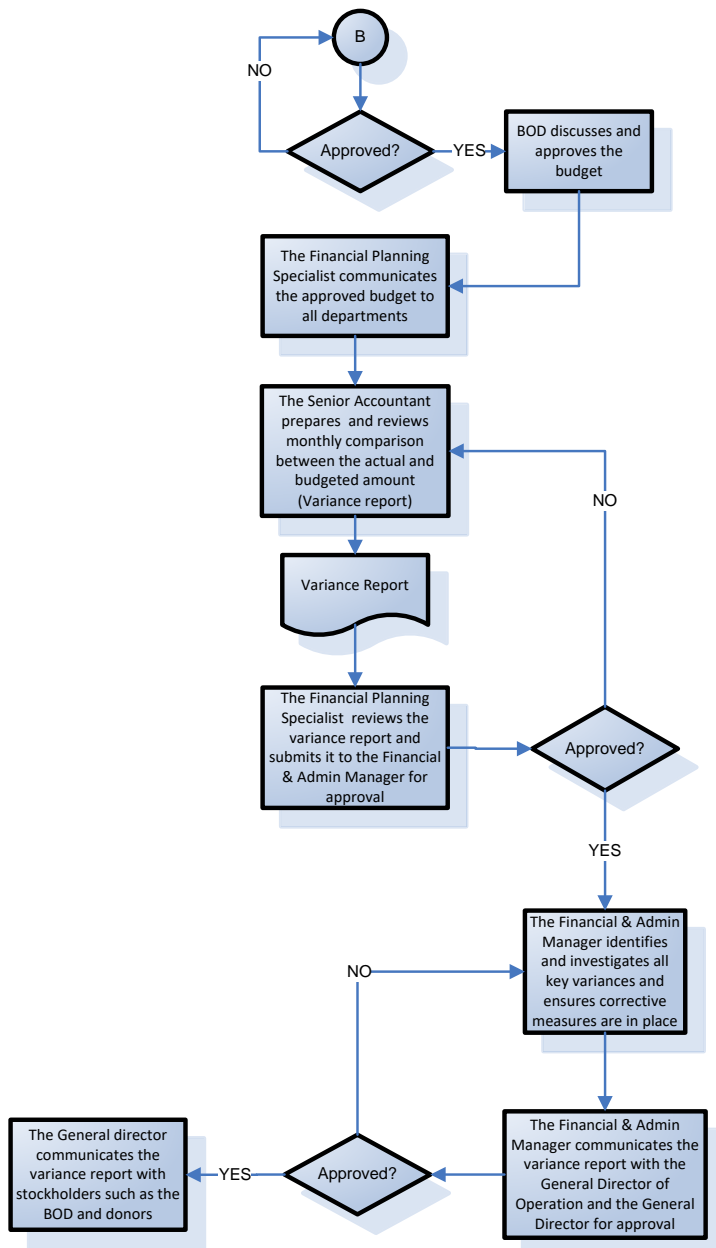
Budgeting Process



Budget and Cash Forecasts

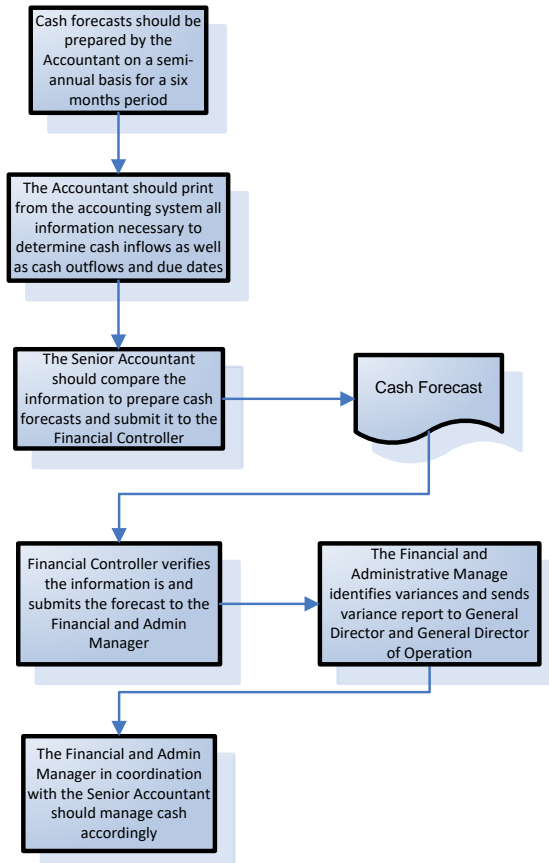


Budget and Cash Forecasts



Budget and Cash Forecasts

Cash Forecast Process



Grants Management

This section is applicable for all grants received by the MDLF. The purpose of Grant Management procedures is to develop, implement and maintain meaningful grant oversight and coordination for the MDLF thereby increasing grant related revenue, limiting the exposure to grant related legal liability, and improving the efficiency and impact of programmes and services funded through grants.

Grants Management

Purpose

The purpose of this section is to set guidelines for the MDLF to receive, record, and follow up on grants.

Policy

1. The Financial and Administration Department is responsible for the financial management, administrative support and supervision, and reporting for the Programme as a whole.
2. Funds are deposited into and disbursed from designated bank account for each donor and will be spent on specific activities (sub-components) predefined by each donor. This policy is not effective and is not applicable if requested otherwise by donors.
3. Commingling of funds between bank accounts is not permitted unless approved in writing by all related donors.
4. Designated bank account for each donor should be opened by the Ministry of Finance and managed by the MDLF
5. The MDLF should not attempt to open bank account or sign agreements with donors without the prior approval of the Ministry of Finance.
6. The MDLF will vest the sole responsibility to disburse on behalf of the programme to suppliers and contractors – either contracted by MDLF or by Municipalities.
7. No sub funds will be transferred to the Municipalities, as MDLF will be paying directly to contractors and suppliers on behalf of Municipalities according to the approved sub grant agreements between MDLF and each Municipality.
8. MDLF adopts centralized disbursement to Municipalities and no advances to Municipalities unless they have the capacity to manage efficiently the advances and it's subject to the Donors Approval and to the financing agreement.
9. All withdrawals should be approved by the Financial and Administrative Manager and the General Director signs.
10. As long as the closure restrictions on Gaza are maintained, MDLF will adopt a degree of flexibility by allowing for the payment of non-wage recurrent expenditures as direct inputs for sustaining essential municipal services in Gaza on the basis of short-term plans. This means incremental costs incurred in Gaza might be allowed to be allocated to the project while same costs incurred in the West Bank might not be allowable. Payment mechanism remains the same.

Commented [MAJ1]: Need to check if this is applicable for all disbursement arrangements under both types of arrangement under the MP4 project. This might be further elaborated in Annex 1, but need to make sure details are consistent

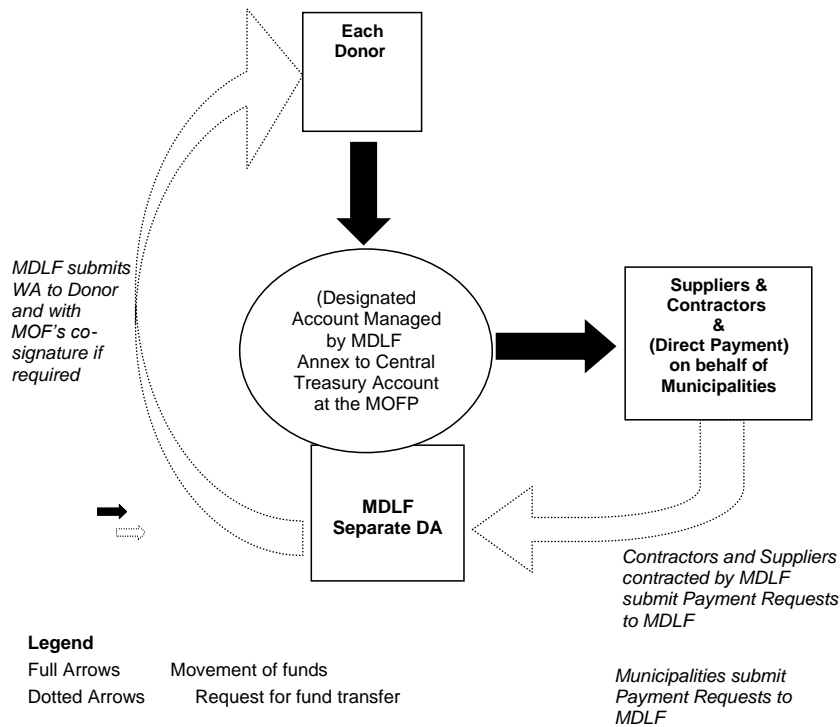
Commented [EKO2R1]: The Sole responsibilities of Disbursement is only for the MDLF under both arrangements (direct or in advance) and it is consistent with Annex 1.

Same as first comment : **Commented [MAJ3]**

:Commented [MAJ4R3]

Commented [MAJ5]: Same as above, please double check to make sure it is consistent with FMA in the PAD. This might be further elaborated in Annex 1, but need to make sure details are consistent

Grants Management



The above chart describes the funds flow for the program for Each Donor participating through parallel financing (each donor will have a different DA)

The above chart reflect general fund flow to MDLF, any other arrangements for MDP IV see Annex 1

Procedures

Drawdown from the Donor to MDLF

1. The General Director should make sure that a copy of the agreement signed with the donor was transferred to the Accounting and Financial Department.
2. MDLF should open a bank account for every donation/donor in coordination with the Ministry of Finance, as detailed in the Open Bank Account in the Cash Handling Section.
3. The MDLF should arrange with donors to drawdown the designated grant to the bank account as follows:
 - II. The Financial and Administrative Manager is responsible for complying with the donors' financial requirements and conditions to transfer the fund. For instance, the Financial and Administrative Manager should prepare all the documentation and reports requested by donors in order to transfer the money.

Grants Management

- III. The Financial and Administrative Manager should prepare requests for disbursement based on the approved work plans and cash flow projections for expenditures, and submit it for review by the General Director of Operations.
 - IV. The General Director of Operations should review and approve the request and submit it to the General Director for approval.
 - V. The Financial and Administrative Manager should follow up with donors to make sure that the donor transfer the amount requested on timely manner.
4. Upon receiving the grant money in MDLF's bank account, the Financial Department should record these transfers in accordance to the Cash Receipts under the Cash Handling procedures section of this manual.
 5. The Financial Department should report to donors through the General Director in accordance to the agreement signed and as further detailed in the Reporting section of this manual.

Drawdown from the MDLF to the Municipality

- Grants to Municipalities should be made using the mechanism agreed upon with the donors. For instance, grants to the Municipalities should be made in accordance to the performance based allocation mechanism and with the eligibility criteria specified. The implementation of the Grant Allocation Formula is described in a detailed manual which defines the forms, guidelines, checklists and the corresponding charts that illustrate the administrative flow. It defines each indicator, how it is to be measured, and together how they are used for ranking municipal performance.
- All requests for grants from Municipalities should be evaluated by the Technical Department based on the criteria provided by MDLF and should be approved by the General Director of Operations and the General Director.
- The Municipalities shall open a separate bank account for the project funded by the MDLF, if needed.
- Municipalities are responsible for sub-project implementation and for all contracting but the MDLF is responsible for making payments to contractors and suppliers in accordance to the procedures detailed in the Programme Expenditures under the Cash Handling section of this manual.
- All approved payments should be made through the special designated bank account and shall be transferred directly to the contractor/vendor account.
- Any payment should be made against the original supporting documents/tax invoices and should be properly approved.
- The payment procedures should be in accordance to the Cash Handling section of this manual.
- A monthly bank statement for the Municipalities account shall be transferred to the Financial Department and should be reviewed by the Senior Accountant and the Financial and Administrative Manager, if applicable.
- The Municipality designated bank account should be subject to be audited by auditors or MDLF staff, when and if needed.

Grants Management

- The MDLF should report to donors in accordance to the agreement signed and as further detailed in the Reporting section of this manual.

Management Fees:

MDLF should establish and collect the management fees percentage from donors as approved by the Board of Directors. The aim of this fee is to have a basis for charging donors indirect costs of the MDLF.

- Entries should be recorded by the Senior Accountant as explained in the below example.

Example: In order to explain the transactions when recording MDLF grants and management fees revenues, we assumed that MDLF has signed a grant agreement with donor X of US \$10,000,000.

A- On 1/1/2010 MDLF signed a grant agreement with Donor X of U.S. \$10,000,000

Date	Account	Grant Donor X (000)		MDLF (000)	
		Dr.	Cr.	Dr.	Cr.
01/01/2010	Dr. Contribution receivable Cr. Temp. Res Net Assets (Contribution)	10,000	10,000		

Explanation:

To record the value of the grant after signing the grant agreement with the donor on 01/01/2010

B- On 10/01/2010 MDLF received an amount of \$2,000,000 of the Donor X grant.

Date	Account	Grant Donor X (000)		MDLF (000)	
		Dr.	Cr.	Dr.	Cr.
10/01/2010	Dr. Bank Cr. Contributions Receivable	2,000	2,000		

Explanation:

To record the receipt of 2 M. of the total grant value.

C- On the same date when the 2 million was received (10/1/2010), MDLF transferred its share of management fees from the Grant Bank Account to MDLF Bank Current Account. Accordingly, this transaction should be recorded on both accounts as follows:

Entry No. 1

Date	Account	Grant Donor X (000)		MDLF (000)	
		Dr.	Cr.	Dr.	Cr.
10/01/2010	Dr. Management Fees Receivable	140	140		

Grants Management

	(Due from MDLF) Cr. Bank					
--	-----------------------------	--	--	--	--	--

Explanation:

To record the transfer of Mgt Fees from Grant Bank to MDLF bank.

Entry No. 2

Date	Account	Grant Donor X (000)		MDLF (000)	
		Dr.	Cr.	Dr.	Cr.
10/01/2010	Dr. MDLF Bank Cr. Unearned Revenue (Due to Grant)			140	140

Explanation:

To record the receipt of Mgt Fees at MDLF Bank.

D- At the end of the month, MDLF should recognize earned revenue (Management fees) in the MDLF side - Supposing that the \$2,000,000 is based on an estimate provided to Donor X by MDLF of their 6-month need timeline

Date	Account	Grant Donor X (000)		MDLF (000)	
		Dr.	Cr.	Dr.	Cr.
31/01/2010	Dr. Unearned Revenue (Due to Grant) Cr. Management Fees (Revenues)			23.33	23.33

Explanation:

To record the earned Mgt Fees for Month 1.

E- At the end of the Month (31/01/2010), when MDLF recognizes earned revenues (Management Fees), it should also record program expenditure on the Grant Side.

Date	Account	Grant Donor X (000)		MDLF (000)	
		Dr.	Cr.	Dr.	Cr.
31/01/2010	Dr. Program Expenditure Cr. Management Fees Receivable (Due from MDLF)	23.33	23.33		

Explanation:

To record the MDLF Earned Management Fees for Month 1.

F- After recording the Program Expenditure, the same amount should be released from the Temporarily Restricted Assets to Unrestricted Assets.

Date	Account	Grant Donor X (000)		MDLF (000)	
		Dr.	Cr.	Dr.	Cr.

Grants Management

31/01/2010	Dr. Temporarily Restricted Net Assets Cr. Unrestricted Assets	23.33	23.33			
------------	--	-------	-------	--	--	--

Explanation:

To record the release of the Earned Management Fees amount from restriction.

G- On 15/4/2010 when MDLF receive and approve to pay contractors invoices of 1 Million, it should record Program Expenditure.

Date	Account	Grant Donor X (000)		MDLF (000)	
		Dr.	Cr.	Dr.	Cr.
15/04/2010	Dr. Program Expenditures Cr. Payable to Contractors	1,000	1,000		

Explanation:

To record Program Expenditures.

H- On 15/4/2010 when MDLF recorded Contractors' invoices, it should release the amount of 1 million from restriction.

Date	Account	Grant Donor X (000)		MDLF (000)	
		Dr.	Cr.	Dr.	Cr.
15/04/2010	Dr. Temporary Restricted Net Assets Cr. Unrestricted Net Assets	1,000	1,000		

Explanation:

To release the amount from restrictions.

I- On 30/4/2010 MDLF Paid \$500,000 to contractors.

Date	Account	Grant Donor X (000)		MDLF (000)	
		Dr.	Cr.	Dr.	Cr.
30/04/2010	Dr. Payables to Contractors Cr. Bank	500	500		

Explanation:

To record payment of payables to contractors.

- All above journal entries should be reviewed by the Financial Controller and should be approved by the Financial and Administrative Manager before being posted.
- After being approved and posted, those journal vouchers should be filed in the Financial Department files.

Grants Management

Compliance with the Grant Agreements:

The legal agreement between the borrower and each participating donor normally will contain various financial covenants. The covenants will include requirements to maintain appropriate financial records, documentation, internal controls, and to provide interim and audited annual financial reports to donors. The financial procedures in this manual facilitate compliance with the covenants. However, other measures and compliance controls should be implemented, as follows:

A. Financial Compliance:

1. The Financial Department is responsible for compliance with the financial requirements and reporting requirements of the donors.
2. The Financial and Administrative Manager is responsible for monitoring grant related financial activity by performing the following:
 - i. Reviews financial reports and provide general oversight of other grant related issues, including the proper budgeting and accounting for grants and other responsibilities indicated throughout this policy.
 - ii. Approve all direct and indirect payments under the grant.
 - iii. Monitor Municipalities in related financial issue.
3. The Financial and Administrative Manager should Identify the agreement terms and determine which of those, if not observed cause noncompliance with the agreement by performing the following:
 - List all financial standard and programme-specific financial provisions contained in the agreements and prepare a summary document that identifies each of the specific financial compliance requirements included such as budget limitations, allowed expenditures, reporting requirements, allowable costs, tax restrictions,
 - Review all payments for compliance with agreement terms and budget and reject any payment not considered appropriate,
 - Determine whether the Municipalities' financial such as cost sharing and claims for advances and reimbursement contain proper supporting documents.
 - The Financial and Administrative Manager should ensure that all required reports are submitted to donors as agreed and on time, and should report on grant financial position to the General Director.
 - The Financial and Administrative Manager can delegate part of his duties, but not the responsibility of the compliance, to staff under his supervision and this should be indicated on the compliance summary sheet.

B. Technical Compliance:

1. The Technical Department and the Capacity Building Department are responsible for implementing grants activities and for achieving the technical objectives of the grants.
2. General Director of Operations is responsible for following up the grant activities, to achieve this, the General Director of Operations should perform the following:

Grants Management

- List all technical standard and programme-specific provisions contained in the agreements and prepare a summary document that identifies each of the specific compliance requirements included.
- Review all payments for technical compliance against agreement terms and budget.
- To ensure all reports are submitted to donors as stipulated in the agreement and on time.
- Report on grant activity to the General Director.

Manage Grants Budgets:

1. The programme budget should be prepared by the Technical Department as part of the annual budget preparation. The Grant Allocation Formula should be taken into consideration when preparing the Programme budget.
2. The General Director of Operations and the Financial and Administrative Manager as well as the General Director should review and sign all payments for compliance with the donors' agreement and with the sub-grant agreements.

Community Contributions/Cost Sharing:

Cost sharing will be based on the requirements of the primary donor, and can take the cash form as follows:

1. If the share is cash, then the Municipality shall cover the expenditures of the first phase of any project from this share.
2. All cash, from Municipality contribution and related to the project, should be deposited in a separate bank account (escrow account), and initial payments to contractors should be made from this bank account until its balances becomes zero.
3. The Municipality may ask the contractor to open a separate bank account; so that it can transfer the initial payments from its contribution bank account to the bank account based the contractor's progress in the project.
4. The Financial Department should not release payments from the MDLF before obtaining full documentation that the amount was paid from the bank account to the contractor by the Municipality.
5. The Financial and Administrative Manager is responsible to ensure that cost share was fully paid before approving any further payment to the municipality.
6. After submitting adequate supporting documents stating that the Municipality has paid its share to contractors, the process of drawdown of funds takes place. The documents submitted shall include original invoices submitted by contractors, original valid deduction at source certificate, original agreements, original rent contracts, if any, original agreements with consultants, if any, and any other supporting documents for any amount requested by the Municipality.
7. Before the closing of the project, the Financial and Administrative Manager should ensure that the cost sharing cash contributions were provided according to the terms of the agreements and quantify any shortfalls.

Grant Closeout:

1. Upon completion of the grant term of each grant award, the Technical Department should send a memorandum to the Financial Department to place the fund and/or project in a no posting status.

Grants Management

2. This memorandum to the Financial Department should identify the name of the grant or sub-grant, the project number and describes the final disposition of the funds and required activities.
3. Upon review of the memorandum and satisfaction of any discrepancies, Financial Department's will update the accounting system and confirm grant closeout with the Donor. Among other requirements, the Financial Department should communicate with the donors any remaining funds or reports that should be submitted.
4. The grant closeout memo shall be placed in the grant's file.

Grants Management

Annex:

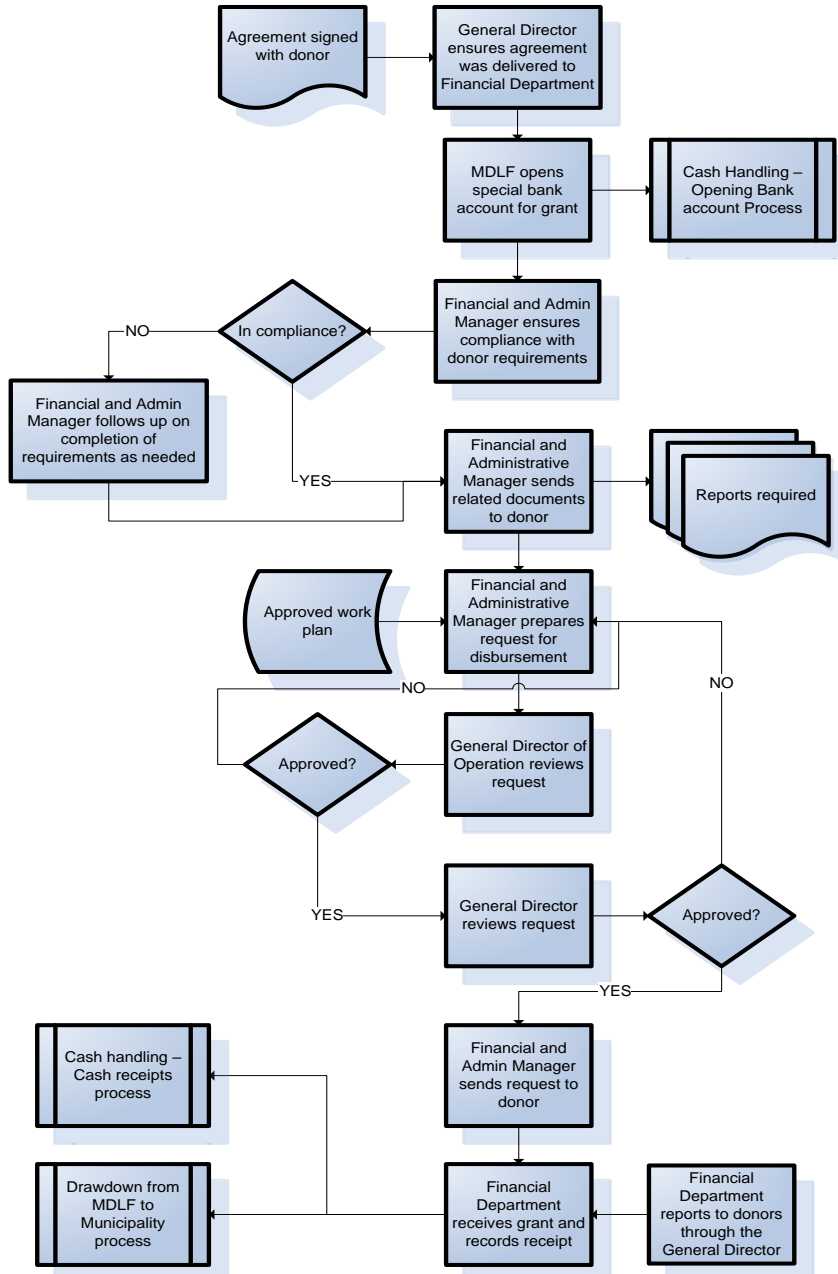
(Name of Municipality)
COST-SHARING SCHEDULE
FROM JANUARY 1, 20XX TO DECEMBER 31, 20XX

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>SHORTFALL</u>
<u>CASH</u>			
Grant No. 1			
Grant No. 2			
<u>IN-KIND</u>			
Grant No. 1			
Grant No. 2			
TOTAL			

Grants Management

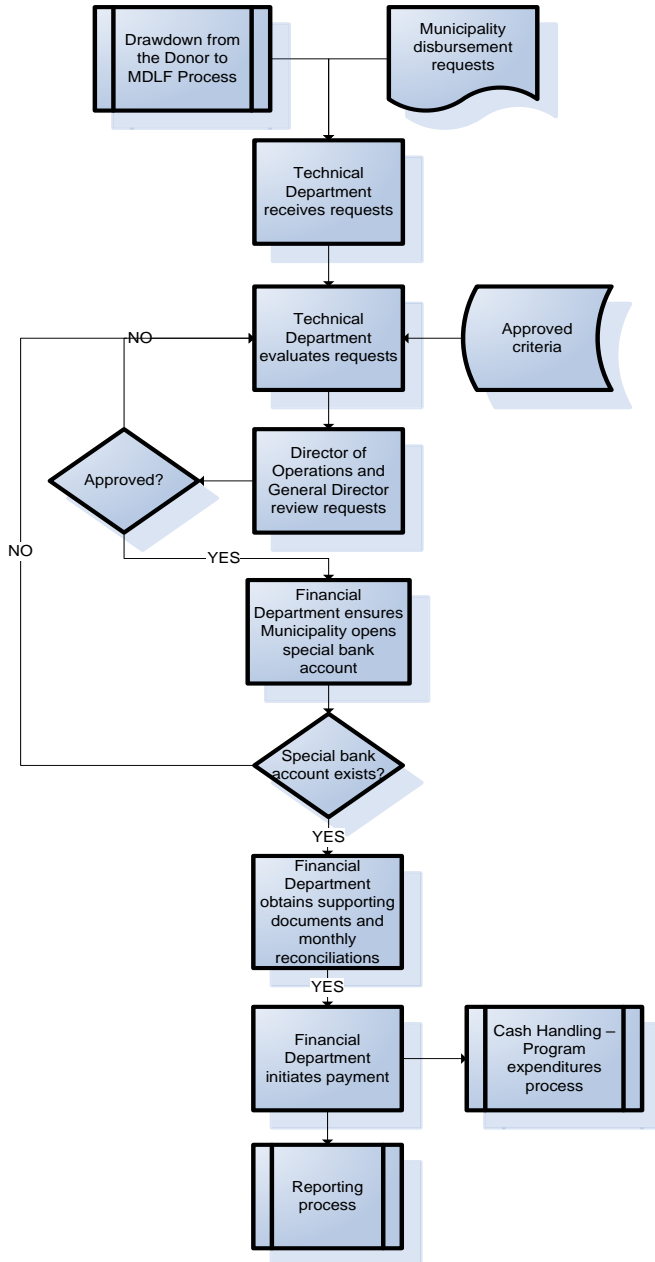
Process Maps:

Drawdown from the Donor to MDLF



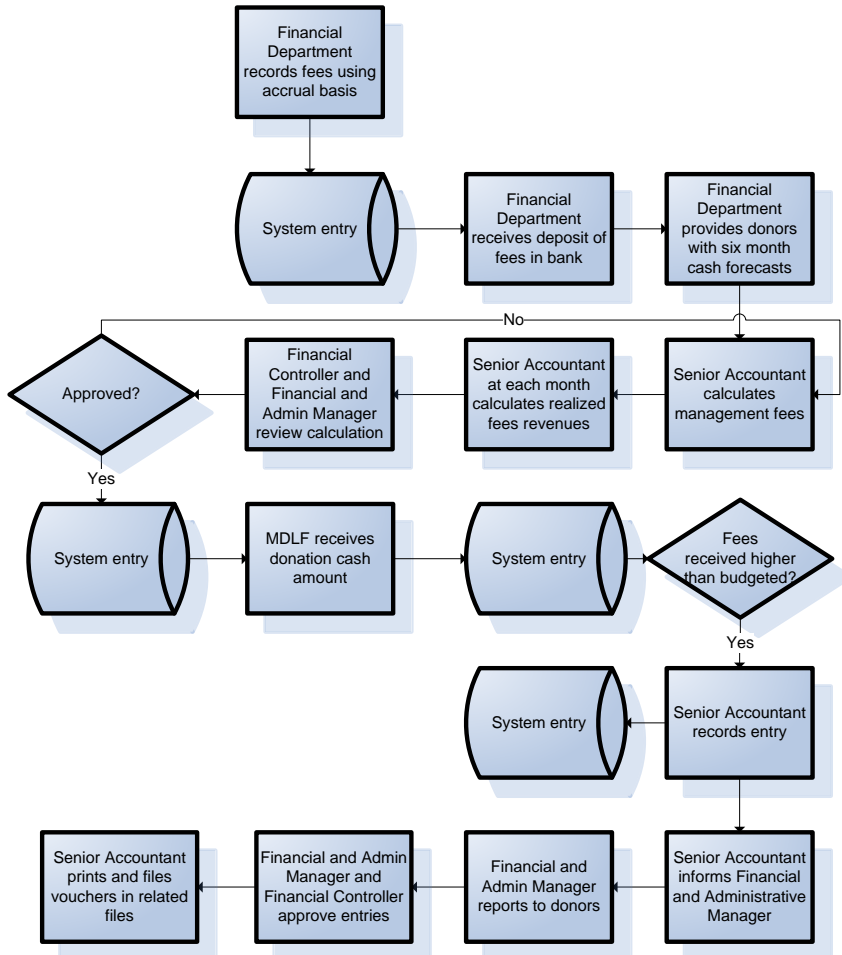
Grants Management

Drawdown from the MDLF to the Municipality



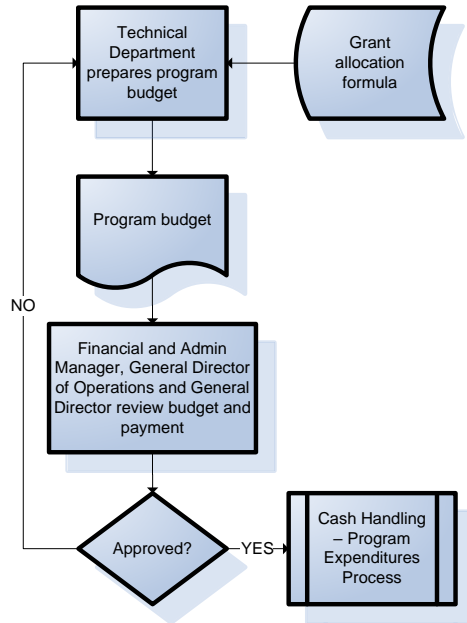
Grants Management

Management Fees



Grants Management

Manage Grants Budgets



Cash Handling

The purpose of this section is to set policies and procedures for the MDLF's cash and bank accounts. These policies and procedures aim at ensuring that cash and bank transactions are based on proper authorization, as that they are properly controlled and monitored, and that they are properly classified in the accounting records.

I. Opening and Authorization of New Bank Accounts

Purpose

To document proper procedures for opening new bank accounts.

Policy

6. A separate designated bank account should be opened for each grant/donation, and all donor related revenues should be deposited and operating expenditures should be paid from this account, unless otherwise agreed with donors.
7. Accounts are only held with approved banks; all bank accounts should be approved by the Ministry of Finance and accounted for under the Single Treasury Account.
8. The account should be set up in such manner as prescribed by the grant agreement. For instance, accounts should be maintained in the Currencies specified by each Donor.
9. Other separate from donors' bank accounts should be opened for the MDLF operating expenditures.
10. Opening a new bank account must be justified and recommended by the Financial and Administrative Manager and approved by the General Director and in certain cases by the Board of Directors.
11. The Financial and Administrative Manager is responsible for cash management and proper maintenance of bank accounts.
12. Using or opening new overdraft bank accounts should be approved by the Board of Directors in advance.

Procedures

1. Upon signing new grant agreement with any donor, the Financial and Administrative Manager should prepare and sign request for opening new bank account specifying the following:
 - i. Agreement, donor and purpose.
 - ii. The details of the new bank account, which should be based on donors' requirements such as currency, name, and type of account.
2. The request letter should be approved by the General Director and sent to the Chairman of MDLF Board of Directors for approval and further arrangement with the Ministry of Finance.
3. Upon receiving the Ministry of Finance approval to open the bank account, the Senior Accountant should arrange with the specified bank to open the new account and

Cash Handling

should complete bank forms, provide check signing cards and other authorization and validation information.

4. The Senior Accountant should open a new general ledger account on the accounting system immediately after the opening the account by the bank.
5. The Senior Accountant should notify the Financial and Administrative Manager, who becomes responsible to notify other stakeholders such as the General Director, the Donor, and Departments.
6. Copies of all forms and letters should be maintained in a separate file in the Financial Department.

Cash Handling

II. Closing Bank Accounts

Purpose

To document proper procedures for closing bank accounts.

Policy

1. The opening or closing of a bank account is properly authorized.
2. A bank account that is inactive or has a zero balance for more than six months should be closed, unless there is a justification to keep it open.
3. The closing of a bank account is to be recommended by the Financial and Administrative Manager and approved by the General Director.
4. Unused checks related to the closed bank account should be returned to the bank upon closure of the account.

Procedures

1. All bank accounts should be reviewed by the Financial and Administrative Manager on a monthly basis to determine that a business reason still exists for the continuation of an account. If it is determined that no reason exists for keeping an account open, then the account should be closed.
2. Before starting the closing process, the following should be performed:
 - The Senior Accountant should prepare a bank reconciliation for that account to determine outstanding checks and arrange payments,
 - The Senior Accountant should invalidate all unused checks and handle them to the Financial Controller,
 - The Financial Controller should ensure that all unused checks were accounted for using the serial numbers of used, voided and remaining checks handled to him by the Senior Accountant, and submit them to the Financial and Administrative Manager,
 - The Financial and Administrative Manager should return the checks to the bank.
3. The Financial and Administrative Manager should prepare a written request/bank account closing letter and send it to the General Director for approval. The following must be included in the request:
 - Bank name, address, bank contact and phone number.
 - Bank account number.
 - Disposition of closing bank balance and statement.
 - Approval by the proper personnel or donor, if needed.
4. The request letter should be approved by the General Director, and submitted to the Chairman of MDLF Board of Directors for approval and further arrangement with the Ministry of Finance.

Cash Handling

5. Upon receipt of the properly authorized request, the Financial and Administrative Manager if requested, should notify and arrange with the bank where any remaining bank balance is to be transferred.
6. Once the account has been closed, the Financial and Administrative Manager should notify the Senior Accountant to deactivate the account in the general ledger.
7. A copy of such letter must be kept in a separate file in the Financial Department.

Cash Handling

III. Check Issuance, Wire Transfers, and Cash Disbursements

Purpose

To provide guidelines for the request of a manual check,

Policy

1. All manual checks must be requested and properly authorized on a Payment Request supported by original documentation and signed by authorized personnel.
2. All disbursements and payments above USD \$100 (or equivalent in other currencies) should be paid by checks or wire transfer.
3. Checks should not be payable to the bearer nor signed blank and all checks should be stamped by "first beneficiary only".
4. The MDLF should use duplicated checkbooks that include original check and a copy containing payment voucher.
5. Original signatures must be evidenced on the check request. Failure to do so will result in the check request being returned to the requestor for correction.
6. Invoices cannot be subdivided and attached to separate check requests, unless approved by the Financial and Administrative Manager, in writing.
7. All check requests must be approved in conformance with the then current signature authorization matrix.
8. The approver on a check request should not be the payee of the check request; next level authorization needs to be obtained.
9. All employee reimbursements of that nature should be processed through the Employee Expense Reimbursement Process (see Travel Policies).
10. Failure to include this basic information on the original invoice will result in non-payment and the return of the invoice to the vendor.
11. MDLF should make direct payment to suppliers and contractors on behalf of Municipalities.
12. Disbursement should be based on the approved budgets,

Procedures

Operating Expenditures:

1. The Administrative Department provides the Financial Department with all supporting documents to process the payment,
2. Original documentation must be firmly attached to the original check request include, but not limited for, the following:
 - Original Official vendor invoice,
 - Receiving Report ,

Cash Handling

- Deduction at Source,
 - Contract, when applicable,
3. Accountant should do the following:
- a. prepare the Payment Order upon the receipt of all supporting documents, and should record the following entry:

<p style="text-align: center;">Expenditures, assets XXXX Accounts Payable XXXX</p>
--

- b. Prepare the checks or wire transfer and verify the accuracy and completion of the voucher and send it to the authorized signatories for signatures,
4. The Senior Accountant should verify the documents and post the entry before sending the voucher and the supporting documents to the Financial Controller,
 5. The Financial Controller should verify the approved Payment Order and review the supporting document, and send it to the Financial and Administrative Manager for further processing,
 6. The Financial and Administrative Manager should verify the documents and forward them for review by the General Director of Operations, and approval by the General Director,
 7. The General Director review the original supporting documents of the payment, sign the check, and send it for further authorizations (second signatory),
 8. Upon receiving the signed checks/wire transfer, the Accountant records the payment in the cash disbursement journal,

<p style="text-align: center;">Account Payable XXX Cash-Banks XXXX</p>
--

9. The Senior Accountant should review payment and the accuracy of the accounting record, and post the disbursement journal to the General Ledger.
10. The entry should be reviewed by the Financial Controller and approved by the Financial and Administrative Manager,
11. The Secretary hands the checks to the vendors, the vendors are requested to sign payment vouchers,
12. All supporting document should be invalidated and filed in the Financial Department,
13. A check control log ("check register") must be established and maintained through the accounting software to follow-up on outstanding checks. The control log should contain:
 - Sequence of checks issued,
 - Name of the beneficiary,
 - Check date,
 - Clearance date of the return and/ or avoidance date.

Cash Handling

14. The check register must be approved by the Financial and Administrative Manager on quarterly basis.

Programme Expenditures:

1. The MDLF applies the Grant Allocation Formula to determine the financial allocations of each Municipality.
2. Municipalities are responsible for consulting with their communities to establish a priority list of sub-projects that fit the eligibility criteria and submitting an application form for appraisal by the MDLF.
3. The applications are reviewed by area engineers, with inputs from their supervisors (including field appraisals as required), and their Manager to ensure appropriate documentation/verification.
4. A technical committee headed by the Director of Operations, does a final review to check for compliance with the MDLF's guidelines and provides its recommendation which is then communicated to Municipalities by the General Director.
5. The Technical Department should send a copy of signed Grant Implementation Agreement ("GIA") with the Municipality to the Financial Department.
6. The Municipalities sends the invoices related to the project with all related documents to the Technical Department in the MDLF.
7. Municipalities shall use the form provided by the MDLF to request replenishment, in case of advanced payments.
8. The Technical Department reviews the invoices and the related documents; checks whether each invoice matches with the tender and the agreement between the contractor and the Municipality, checks the technical specification, checks whether the invoice meets the budget lines described in the agreement between the MDLF and the Municipality.
9. The Manger of Technical Department signs the invoice and indicates the budget line/lines to be used by the Financial Department.
10. All documents shall be transferred to the Accounting and Financial Department in order to offset the down /advance payments or to make a new payment as described in the agreement between the LGU and the MDLF. (In the case of the final payment of the project, the manger of Technical Department shall indicate such on at the invoice; the final payment should be made only after receiving all the documents needed from the Municipality related to the project).
11. The Accountant in the Financial Department should perform the following tasks:
 - i. Review the Payment Request.
 - ii. Compare the Payment Request to the budget.
 - iii. Prepare Payment Order.
 - iv. Record the payment in the accounting system.

Expenses, assets XXXX

Accounts Payable XXXX

- v. Print the Journal voucher and sign as preparer.

Cash Handling

- vi. Prepare wire transfer or check and deliver the payment with supporting documents to the Senior Accountant.
12. The Senior Accountant should verify the documents and forward them to the Financial Controller for review and approval.
13. The Financial Controller should verify the approved Payment Order and review the supporting document, and submit it to the Financial and Administrative Manager for further processing.
14. The Financial and Administrative Manager should verify the documents and forward them for review by the General Director of Operations, and approval by the General Director.
15. The General Director reviews the original supporting documents of the payment, signs the check, and sends it for further authorizations (authorized signatories),
16. Upon receiving the signed checks/wire transfer, the Accountant records the payment in the cash disbursement journal.

Account Payable XXX

Cash-Banks XXXX

17. The Senior Accountant should review the payment and the accuracy of the accounting record, and post the disbursement journal to the General Ledger.
18. The entry should be reviewed by the Financial Controller and approved by the Financial and Administrative Manager.
19. The Secretary hands the checks to the vendors, the vendors are requested to sign payment vouchers.
20. All supporting document should be invalidated and filed in the Financial Department,
21. The Financial and Administrative Manager should notify the Municipality of the payment.

Direct Payments by Donors:

1. The MDLF applies the Grant Allocation Formula to determine the financial allocations of each Municipality.
2. Municipalities are responsible for consulting with their communities to establish a priority list of sub-projects that fit the eligibility criteria and submitting an application form for appraisal by the MDLF.
3. The applications are reviewed by area engineers, with inputs from their supervisors (including field appraisals as required), and their Manager to ensure appropriate documentation/verification.
4. A technical committee headed by the Director of Operations, performs a final review to check for compliance with the MDLF's guidelines and provides its recommendation which is then communicated to Municipalities by the General Director.
5. The Technical Department should send a copy of signed GIA with the Municipality to the Financial Department.
6. When a payment is due to the contractor, the Municipality prepares a replenishment request and sends the request, attached with the contractor's invoices related to the

Cash Handling

project with all related documents, to the Technical Department in the MDLF. (Municipalities shall use the form provided by the MDLF to request replenishment).

7. The Technical Department reviews the request and the attached invoices and related documents; checks whether each invoice matches with the tender and the agreement between the contractor and the Municipality, checks the technical specification, checks whether the invoice meets the budget lines described in the agreement between the MDLF and the Municipality.
8. The Technical Department may conduct a site visit to make sure the work has been performed by the contractor, as indicated by the Municipality.
9. The Manger of Technical Department, after reviewing the documents, should sign the invoices and indicates the budget line/lines to be used by the Financial Department.
10. The Manager of Technical Department should verify the payment request from technical and budget aspects, and should determine if this payment should be paid directly by the donor or if it can be processed through the MDLF. The Technical Department should approve the payment and send it to the Financial Department,
11. All documents shall be transferred to the Financial Department in order to offset the down /advance payments or to make a new payment as described in the agreement between the LGU and the MDLF. (In the case of the final payment of the project, the manger of Technical Department shall indicate such on at the invoice; the final payment should be made only after receiving all the documents needed from the Municipality related to the project).
12. Accountant in the Financial Department should perform the following tasks:
 - a. Review the Payment Request,
 - b. Compare the Payment Request to the budget,
 - c. Prepare Payment Order,
 - d. Record the necessary entries, as follows:

Dr. Accounts Receivable (Intermediary Account) XXXX

Cr. Net Assets XXXX

This entry represents the recording of the donation, after signing the grant agreement with the donor. As shown in the entry, the intermediary account is created for the purpose of recording the donation.

Dr. Expense XXXX

Cr. Accounts Payable - Contractor XXXX

This entry represents the recording of the invoices received from the Municipality and reviewed and approved by the Technical Department

- e. Print the Journal voucher and sign as preparer,
 - f. Accountant should prepare wire transfer or check and deliver the payment with supporting documents to the Senior Accountant,
13. The Senior Accountant should verify the documents and forward them to the Financial Controller for review and approval,

Cash Handling

14. The Financial Controller should verify the approved Payment Order and review the supporting documents, and send it to the Financial and Administrative Manager for further processing,
15. The Financial and Administrative Manager should verify the documents and forward them for review by the General Director of Operations, and approval by the General Director,
16. The General Director review the original supporting documents of the payment, and send it to the Ministry of Finance to request the donor to pay directly to the contractor,
17. Upon payment to the contractor, the Accountant records the following entries for total amount paid by the donor,

Dr. Account Payable - Contractor XXXX

Cr. Bank Direct Payment (Intermediary Account) XXXX

This entry represents the recording of the direct payment made by the donor to the contractor. As shown in the entry, an intermediary account is created for the purpose of recording the direct payment.

Dr. Bank Direct Payment (intermediary Account) XXXX

Cr. Accounts Receivable XXXX

This entry represents the offsetting of the intermediary accounts that were created to record the donation and the direct payment made by the donor to the contractor.

18. The Senior Accountant should review the payment and the accuracy of the accounting record, and post the disbursement journal to the General Ledger.
19. The journal vouchers should be reviewed by the Financial Controller and approved by the Financial and Administrative Manager,
20. All supporting documents should be invalidated and filed in the Financial Department,
21. The Municipality should be notified of the payment.

Cash Handling

IV. Check Stop Order

Purpose

To document proper procedures for stopping checks.

Policy

1. Check stop order should be issued to the bank upon receiving a written request from the beneficiary claiming loss or error in the issued check(s).
2. For voided checks that have been distributed, a Stop Payment Order must be requested.
3. The Accountant should remove from the outstanding check list those checks for which a stop payment confirmation notice has been received.
4. A new check shall be issued after receiving a confirmation from the bank that the check is stopped.
5. All Stop Orders need to be in compliance with the local laws and regulations.

Procedures

1. The Senior Accountant should be responsible for stop orders based on valid cases.
2. All Stop Orders must be approved by the Financial and Administrative Manager.
3. Financial and Admin Manager sends it to General Director.
4. General Director Approves stop order.
5. Financial Department sends order to bank.

Cash Handling

V. Authorized Bank Signatories

Purpose

To document check signing authority.

Policy

1. All authorized signatories with their authorized limits must be approved by the Board of Directors.
2. Any change to check signing authority must be authorized by the Board of Directors.
3. The General Director must promptly notify the bank of any changes in authorized signatories or their authorization limits.
4. A minimum of two signatories are required for each bank transaction, one from signatories (A) and one from signatory (B)

Procedures

Programme and Operating Payments:

The following individuals are the authorized signatories for all the programme related bank accounts and the related transactions:

- MDLF's Financial and Administrative Manager, signatory (B)
- MDLF's General Director, signatory (B)
- MDLF's Chairman of BOD signatory (A)

Does this agree with th :Commented [MAJ6]

This is related to authorized :Commented [EKO7R6] signatories for MDLF & program Fund payments, and not related to Withdrawal Application

Cash Handling

VI. Cash Receipts

Purpose

To maintain internal controls over cash receipts received.

Policy

1. Receipt voucher should acknowledge all cash receipts.
2. Receipts vouchers should be serially pre-numbered and should be prepared only from the accounting software.
3. The original copy of the receipt voucher should be provided to the payer.
4. As soon as cash and checks are received, they must be restrictively endorsed for deposit to related bank account.
5. The cash and checks must be deposited into the bank within 24 hours of receipt.
6. The payer name and code number (as per accounting records) should be stated on the receipt voucher.
7. The Financial and Administrative Manager should match the deposit slip with the receipt voucher to ensure the total checks collected were deposited subsequently in the bank.
8. The Financial and Administrative Manager should ensure that there is no gap in the serial number of the receipt vouchers.

Procedures

Receipt of Wire Transfers

1. The Senior Accountant should review the bank statements on a daily basis to determine any receipts.
2. The Accountant should record the completed Cash Receipt Slip with all backup into the accounting system as follows:

Cash (Bank –Account) XXXXX
Accounts Receivable (Name-Account) XXXXX

3. For receipts with differences between the payment and the grant agreement:
 - a. If the amount is a partial payment apply the amount received.
 - b. If the difference in payment is not explained in correspondence from the donor, apply the receipt to accounts receivable and contact donor to determine if the remaining balance is to be collected.
 - c. If there is correspondence with the donor indicating an amount in dispute, discuss the application of the receivable with the Accounting Manager.
4. The Senior Accountant reviews and signs the journal voucher, and forwards it to the Financial Controller,

Cash Handling

5. The Financial Controller reviews and approves the Journal voucher and supporting documents, and submits it to the Financial and Administrative Manager,
6. Upon the Financial and Administrative Manager approval, the Senior Accountant posts the journal voucher to the general ledger,
7. The Senior Accountant should send receipt voucher to the donor/payer,
8. The Accountant should file the Cash Receipt Slips and other supporting documents in the accounting files in order,

Receipt of Checks

1. The Finance Secretary opens all checks and perform the following:
 - Logs them into the cash receipt log indicating the date, payee, check number, company applies to, and amount.
 - Separate all checks by their respective payer, and deliver to the designated Accountant.
2. The designated accountant should perform the following:
 - Make copies of all checks received and fill out a deposit slip for each batch.
 - Make a copy of the deposit slip, and send the deposit slip with the checks to the bank to be deposited.
3. The Accountant deposits the receipts to the bank daily, and returns the deposit slip to the Senior Accountant
4. The Accountant completes the Cash Receipt Slip form, indicating donor agreement number, check number, amount, deposit date, bank name and accounting code.
5. The Accountant records the cash receipt to the proper accounts and properly relieve accounts receivable, if necessary.
6. The Accountant should attach the original bank deposit verification, the copy of the deposit slip, the copy of the check and any other information received with the checks to the Cash Receipt Slip, and deliver the documents to the Senior Accountant,
7. The Senior Accountant reviews and signs the journal voucher, and forwards it to the Financial and Administrative Manager
8. The Financial and Administrative Manager reviews and approves the Journal voucher and forwards it to the Financial Controller,
9. The Financial Controller should perform the following:
 - ii. Compare the cash receipt log with the bank deposit,
 - iii. Review and approve the Journal voucher and supporting documents, and return it to the Senior Accountant,
10. Upon the Financial Controller approval, the Senior Accountant posts the journal voucher to the general ledger,
11. The Senior Accountant should send receipt voucher to the donor/payer,
12. The Accountant files the Cash Receipt Slips and other supporting documents in the accounting files.

Cash Handling

VII. Bank Reconciliations

Purpose

To properly perform the monthly bank reconciliation,

Policy

1. Bank reconciliation must be prepared on a monthly basis for all bank accounts even if the balance per books agrees with the balance per bank statement.
2. The bank reconciliation should be prepared by the Accountant using the standard bank reconciliation statement.
3. This standard form provides the following benefits:
 - Assurance that all necessary information is included on each reconciliation (the reconciler name and signature, date of preparing, bank name and account's number, the original bank statement attached, numbers and dates of related documents, balances, and financial manger approval and signature),
 - Documentation of relevant supervisor approval.
4. The reconciliation should be prepared in the original currency of the account.
5. The reconciliation should be prepared and approved within four days from the end of the month.
6. Reconciling items (i.e., outstanding checks and deposits in transit) should be clearly identified. Items outstanding for a long time should be investigated, and necessary action should be taken.
7. The Accountant should prepare a voucher for any unrecorded items identified in the bank reconciliation statement such as cash transfers, bank charges and errors in recording.
8. Checks outstanding in the reconciliation for more than six months should be cancelled and investigated. The Accountant should prepare a journal voucher to revert checks back to cash at bank account.
9. At the end of the year, a review should be made of the checks that were cancelled and reverted back to the cash at bank. These should be taken to a liability account upon the recommendation of the Senior Accountant and approval of the Financial and Administrative Manager.

Procedures

1. The Accountant should perform the following procedures:
 - Obtain original copy from of the bank statement for the period under reconciliation.
 - From the bank statement for the month under reconciliation, obtain the cash balance as of the end of the month.
 - Add to the bank balance the amount of deposits-in-transit as of the end of the month.
 - Subtract from the bank balance the total of outstanding checks as of the end of the month.

Cash Handling

- When all reconciling items have been identified, either add or subtract the reconciling items from the bank balance as necessary to arrive at the adjusted book balance.
 - From the prior month's bank reconciliation obtain the balance forward - general ledger.
 - Agree this amount to the beginning of month General Ledger to ensure there have been no prior period adjustments.
 - Roll forward the General Ledger to account for all cash receipts, transfers, loan payments, bank charges and other activities.
 - Agree the ending book balance per spreadsheet to the General Ledger and to the adjusted bank balance.
 - If ending book balance per the spreadsheet does not agree to the General Ledger, review all items on the General Ledger to ensure they are recorded on the spreadsheet.
 - If ending book balance does not agree with bank balance, review all items on the bank statement to ensure that all items recorded by the bank are posted to the General Ledger or are listed as reconciling items.
 - Research all non-reconciled differences until found or until passed by the Accounting Manager.
 - Prepare any journal entries as necessary.
 - When reconciled, give bank reconciliation and supporting documentation (i.e. outstanding check list, detail of deposits in transit, copy of bank statement, journal entries) to the Senior Accountant for approval.
2. The Senior Accountant should review and approve the bank reconciliation, and deliver it for further approval,
 3. The bank reconciliation should be reviewed and approved by the Financial and Administrative Manager.
 4. The Accountant should file approved reconciliation and supporting documentation with the monthly closing file.
 5. The Accountant should file the original bank statement by bank.

Cash Handling

VIII. Voided Checks

Purpose

To properly support, deface, retain and record manual checks that are to be voided.

Policy

1. A voided check is a check spoiled in the process of preparation, before it is recorded monetarily in the accounting records.
2. A canceled check is a check recorded monetarily in the accounting records and is not paid by the bank.
3. Voided or canceled checks must be thoroughly defaced by prominently imprinting the word "VOID" or "CANCELED" with a rubber stamp across the payee's area name.
4. Both voided and canceled checks must be retained for the same retention period of the accounting records.
5. The check numbers of all voided or canceled checks and the date of action must be reported in writing to the financial manager for entry in the control record under the heading "VOID/CANCELED".

Procedures

1. Voided check should be defaced by the Accountant by writing/stamping the word "VOID" on the face of the check.
2. If the void occurs within the same month as the date the check was written, the void should be entered by the Accountant as a cancellation on the system and reviewed and posted by Senior Accountant after obtaining the Financial and Administrative Manager and the Financial Controller approvals, the system will correct the accounts payable register automatically by posting the reversal of the check to the appropriate vendor.
3. All checks that are voided after the month the check was written, and are valid payables, must be reissued immediately. The Accountant should prepare new payment request form with the General Ledger, coding indicating the cash account as the credit and accounts payable as the debit and should process the payment request using the disbursement procedures. The old check is voided in the outstanding check module and via journal entry as a debit to cash and credit to accounts payable. Therefore there is no financial statement impact.
4. The original payment request number must be indicated on the reissued payment request form.
5. The original payment request must be marked "VOID", but filed as usual with other payment requests in order to maintain the audit trail.
6. The actual voided checks should be kept in a file for the period specified above, all voided checks need to be kept together in one file.
7. At the end of the month all the voided checks in the file for that month should be given to the Accountant for use in reconciling the bank statement.
8. When the bank reconciliation is finished with the voided checks, they should be filed in the box of canceled checks returned from the bank for that same month. This is done

Cash Handling

to keep all checks that have been used together so that they can be easily accounted for.

9. The Senior Accountant should account for the serial numbers of the checks, used checks, voided checks, and remaining serial numbers.

IX. Request of Check Booklets

Purpose

Provide security over blank checks.

Policy

1. All orders of new checks must be ordered sequentially with no gaps in the check number sequences.
2. Blank checks should be safeguarded by the check preparer, and should be secured in locked cabinets or drawers.
3. Paid checks retained with the bank statements must be kept, along with any voided and canceled checks, in locked storage for the same retention period for keeping the accounting records.
4. Access to blank checks should be limited to the Accountant and the Financial and Administrative Manager or his designated alternate.

Procedures

1. In case of check book shortage, the Accountant should notify the Senior Accountant,
2. The Senior Accountant should prepare request for new check book, and forward it to the Financial and Administrative Manager,
3. Upon receipt of a new order of checks, for each box, Financial and Administrative Manager should verify:
 - a. Company name and address.
 - b. Bank account number.
 - c. Accuracy of check sequencing.

Cash Handling

X. Initiated Wire Transfers Out

Purpose

To properly record wire transfers.

Note: Wire transfers may be subject to regulatory requirements such as anti-money laundering requirements from Palestine Monetary Authority. These requirements may be industry specific and should be investigated by Accounting, Compliance, and Audit Management.

Policy

All wire transfers must be requested and properly authorized on a payment request supported by original documentation and signed by authorized personnel.

Procedures

1. The Accountant should complete the wire transfer request form (authorization to the bank), and the payment request form indicating the necessary information.
2. The Senior Accountant approves the transfer by initialing the payment request and signing the wire transfer request.
3. The Senior Accountant approves the transfer by initialing the payment request (for operating expenditures) and/or signing the wire transfer request (for programme) and sends it for further approvals by authorized signatories.
4. After being approved, the Accountant should not fax the wire transfer request to the bank. However, the original wire transfer letter should be submitted to the bank and the Senior Accountant should call and confirm the information with the bank.
5. The Accountant should input the information into the computer and Senior Accountant should post the transaction on the day it occurs.
6. All transfers must be reviewed by the Financial Controller and the Financial and Administrative Manager.
7. The Accountant should file the payment request forms.

Cash Handling

XI. Outstanding Checks

Purpose

To properly compile the outstanding check list at the end of each month for use in properly reconciling the bank statement.

Policy

All outstanding checks should be accounted for.

Procedures

The Accountant should perform the following procedures:

1. Download from accounts payable all checks issued during the month into a spreadsheet. This spreadsheet should also contain the prior months outstanding check list.
2. Ensure that all checks are accounted for by making sure there are no breaks in the numerical sequence of the checks. Start with the last check written in the previous month and end by verifying that the number of the last check used is the one just before the next check number in the blank check stock.
3. If a check in the sequence is missing, research what happened to the check to determine what its status is and whether it will impact the outstanding check list.
4. Obtain the bank statement showing all checks that cleared the bank during the month.
5. Compare the bank statement to the list prepared above (all previous outstanding checks and checks written during the month) and remove from this list all checks that cleared the bank.
6. To remove voided checks from the outstanding check list, obtain the voided check file. Only remove from the outstanding check list those checks in the file that are mutilated originals of the checks to be removed. The voided check should be entered through the accounts payable system not by journal entry.
7. For voided checks that have been distributed, a Stop Payment Order must be requested. Only remove from the outstanding check list those checks for which a stop payment confirmation notice has been received.
8. Every month, stale checks (checks greater than six months old; some checks have a 90 day negotiable expiration) must be removed from the outstanding check list, if applicable, and reversed using the original general ledger account, by posting the following journal entry:

<p style="text-align: center;">Cash\$ (stale checks) XXXXXX Expense\$ (stale checks) XXXXXX</p>
--

9. Once all items have been removed (i.e. checks clearing the bank, being voided, having stop payments issued against them or being reclassified to the stale check liability account), the remaining list becomes the new outstanding check list for the month. The dollar amount is totaled and that total is the amount to be used in the bank reconciliation.
10. Print the outstanding check list and file with the bank reconciliation.

Cash Handling

11. These steps should be performed every month as of the end of each month as soon as the bank statement is received from the bank.
12. In order for a voided check to be removed from the outstanding check list, the mutilated negotiable original must be retained or, if the check has already been distributed, a verification of the stop payment made on the check must be obtained from the bank prior to the removal of the voided check from the outstanding check list.

Cash Handling

XII. Petty Cash

Purpose

Petty cash funds allow cash to be made available to departments and activities to facilitate cash payment for minor expenditures while maintaining proper control.

Policy

1. One fund in the West Bank and another in Gaza should be set up in the amount of \$1000 and \$ 2,000, respectively, for authorized out-of-pocket expenses and minor business expenditures. Permits and fees less than \$100 and miscellaneous office expenditures less than \$100 (e.g. postage stamps) can be paid through Petty Cash.
2. For reimbursement, receipts and proper documentation, including the Petty Cash Reimbursement Form, should be coded and sent to Accountants when the fund balance reaches \$ 300.
3. The petty cash fund should be in the custody of an employee who has no role in approving payments or book keeping; the custodian should not have access to the accounting records.
4. Payments from petty cash should be made against vendor invoices or a written approval from the Administrative and Financial Manager; those invoices and/or approvals should be maintained with the petty cash custodian.
5. At any time, the sum of petty cash on hand plus the total amounts of paid invoices should always equal to the fund main balance (\$ 1,000 in West Bank and \$ 2,000 in Gaza).
6. The petty cash fund should be subject to a monthly review and reconciliation by an accountant not responsible for petty cash custody.
7. Any loss arising from negligence or theft must be immediately reported to the Financial and Administrative Manager and the Financial and Administrative Manager shall report to the General Director.
8. When custody of the petty cash fund is transferred to another custodian, the existing fund should be closed and a new check requested for payment to the new custodian.
9. The petty cash is to be held in a locked cash box and stored in a secured drawer, cabinet, cupboard or safe during the day and overnight. Moneys should not be left unsecured or unattended at any time.
10. Only the custodian or delegated staff should have access to funds and security keys. It is preferable that one person controls the key.
11. Petty cash receipts, vouchers and other supporting documents are to be obtained, approved by the Financial and Administrative Manager and attached to the petty cash form. The petty cash form should be kept up-to-date at all times.
12. Private moneys are to be kept separate from official moneys. Private moneys should not be held in the petty cash tin

Cash Handling

Procedures

Disbursements from Petty Cash

1. The specified custodian of petty cash should obtain supporting documents such as invoices to support payments from petty cash.
2. Prior to the disbursement of any fund, a petty cash payment voucher should be prepared by the fund custodian and approved by the Financial and Administrative Manager.
3. Expenditures paid from the petty cash fund can only be made for the purpose for which the fund was authorized (see policy above) and must be supported by receipts which should contain the following information:
 - Date of purchase or payment,
 - Name of vendor or other payee,
 - Positive evidence that a payment was made, i.e., a cash register receipt or a hand written receipt on which the word "PAID" appears,
 - Amount paid,
 - Description of the goods purchased (entered by the vendor if a hand written receipt is obtained, or the by the purchaser if a cash register tape is issued,
 - Signature indicated receipt of purchases or services.
4. The petty cash custodian should maintain a petty cash book (separated from the accounting software) to document all petty cash transactions and a petty cash expenditures ledger accounts, according to the classification of expenditures in the chart of accounts.

Replenishment

1. When the cash on hand reached to \$ 300, the petty cash fund should be replenished in order to bring the balance up to \$ 1000 in the West Bank and to \$ 2,000 in Gaza. The amount replenished should equal the sum of all disbursements since the previous replenishment. Any difference should be promptly reconciled and cleared.
2. The petty cash custodian should prepare a report showing the details and total of all paid payment vouchers, and the balance requested for reimbursement,
3. The custodian should submit the report with all supporting documents to the Accountant,
4. Accountant should review and record the request in the accounting system, and submits the documents with the journal voucher to the Senior Accountant,

Expenses (by type and function) XXXX

Petty Cash XXXXX

5. The Senior Accountant should review and approve the request, and submit it to Accountant for check preparation,
6. Accountant should prepare the check and send it for further approvals by authorized signatories,
7. The petty cash replenishment check should be payable to the petty cash custodian after the approval of the Financial and Administrative Manager and the General Director.

Cash Handling

- the Accountant should record the following entry upon handing the check to the custodian,

Petty cash fund	XXXXX
Cash-Bank	XXXXX

- Petty cash transactions are not posted until the fund is reimbursed, thus the Senior Accountant should post the reimbursement and the disbursement transaction on the same time,
- Any shortage or surplus in the fund should be investigated.
- Surprise cash counts by the Internal Auditor/Financial Controller should be performed at least once a month.
- A proper documentation should be made for the surprise cash counts, this document should be signed by the custodian and the Internal Auditor and approved by the Financial and Administrative Manager.

Monthly Reconciliation of Petty Cash

- The Accountant, at the end of each month, should review the amounts available in the petty cash fund.
- The Accountant should perform a physical count of the available cash in the fund and the total cash to the total amount of invoices and should prepare a reconciliation form.
- The Accountant should sign the reconciliation form and submit it to the Senior Accountant for review and approval.
- If there are any shortages (losses), arising from negligence or theft, the Senior Accountant must immediately report the case to the Financial and Administrative in order to take proper actions.
- A copy of the reconciliation should be filed.

Cash Handling

XIII. Investing Cash

Purpose

To properly record bank interest income.

Policy

1. If there is a surplus in the cash balance the MDLF may invest it.
2. All idle funds that are not expected to be utilized in the next month should be deposited in an interest bearing account. This policy should be applied even of the interest income should be returned to the donors.
3. The investment should be risk-free and a short-term investment (commercial banks saving accounts).
4. The fund should not invest in commercial securities, long-term bonds, or fixed assets.
5. The investment should not take place outside Palestine.
6. The investment must meet the Grant Financing Agreement, including rules concerning ownership of interest earnings.

Procedures

1. The Financial and Administrative Manager should prepare monthly report showing all idle funds in their currencies. The report should also include the bank's interest rates on deposits, the period in which the funds will be available for deposit, and a preliminary calculation of interest income that can be generated. The idle funds can be:
 - Programmes' available funds.
 - MDLF operating funds (MDLF management fees).
 - Any expected funds, based on newly signed grant agreements.
2. The Financial and Administrative Manager should submit the report to the General Director for review and approval.
3. After being approved by the General Director, the Financial and Administrative Manager should immediately prepare a transfer letter of available funds from the current accounts to deposit accounts, and should have that letter signed by the authorized signatories.
4. The Accountant should record interest income immediately upon receipt of the bank statement, as follows:

Dr. Cash \$(interest income) XXXXX
Cr. Interest Income \$(interest income) XXXXX

5. The journal vouchers or entry should be reviewed and posted by the Senior Accountant.
6. The entry should be reviewed by the Financial Controller .

Check if valid for DA :Commented [MAJ8]

Commented [EKO9R8]: This is general to all MDLF program. If there any other arrangements, it will reflected in Annex 1.

I do not think this is relevant and valid :Commented [MAJ10] for the DA of the projects

Commented [EKO11R10]: This is general to all MDLF programs. If there any other arrangements, it will reflected in Annex 1.

Cash Handling

-
-
-
-
-
-
-
- See annex 1 for World Bank arrangement under MDP IV.

XIV. Bank Charges

Purpose

To properly record the monthly bank charges.

Policy

Bank charges should be identified and recorded on time and at least monthly, and before closing the month.

Procedures

- The Accountant should locate any bank service charges for the month, including wire transfer fees. Various charges may need to be accumulated, and with that amount complete the following entry:

Bank charges expense \$(bank charges) XXXXX
Cash \$(bank charges) XXXXX

- The Accountant should submit the journal voucher for further approvals by the Senior Accountant who should post the entry.
- The Accountant should file the copies of the journal voucher.

Cash Handling

Annex:

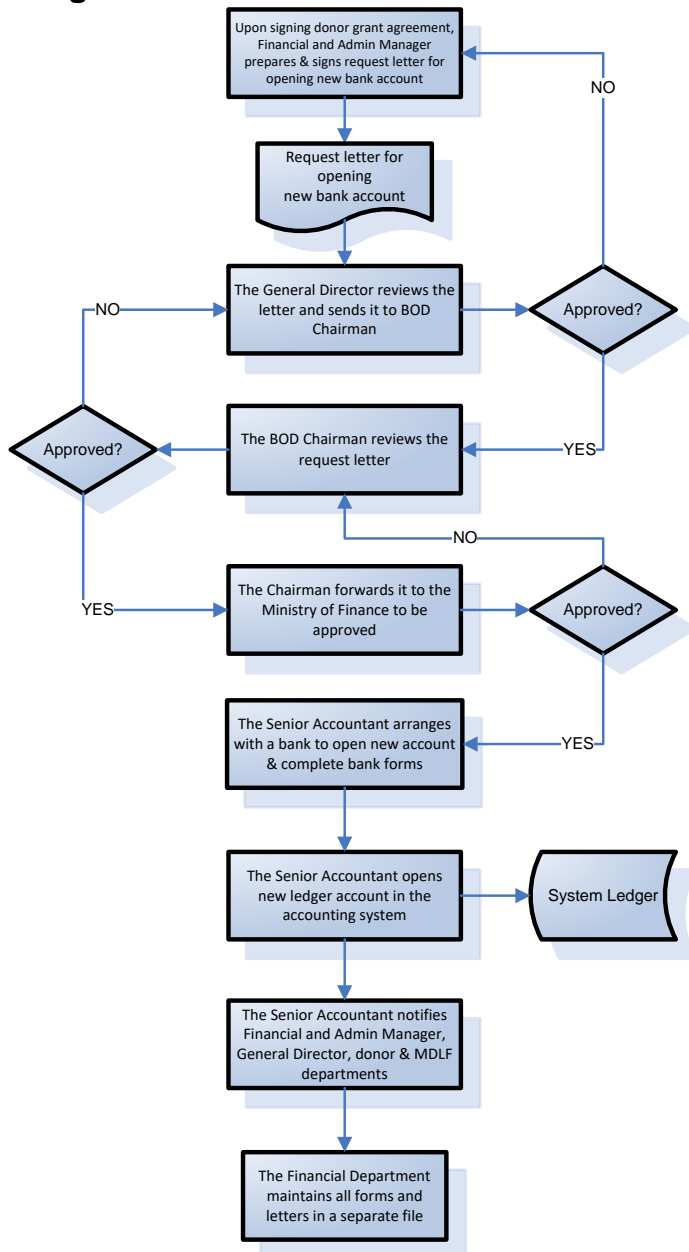
Bank Reconciliation Form

BANK RECONCILIATION FOR Name of BANK	
FOR THE PERIOD ENDING Month XX, 20XX	
ENTITY:	Bank Name:
ACCT #:	
G/L#:	Amount:
BALANCE PER BANK	XXXXXX
<i>OUTSTANDING WIRE TRANSFERS</i>	(XXXXXXX)
<i>OUTSTANDING CHECKS</i>	(XXXXXXX)
<i>DEPOSITS IN TRANSIT</i>	
<u> </u>	
ADJUSTED BANK BALANCE	<u>(XXXXXXX)</u>
BALANCE PER BOOKS	XXXXXX
<i>OUTSIDE TRANSFERS IN/(OUT)</i>	(XXXXXXX)
<i>BANK CHARGES</i>	(XXXXXXX)
<i>INTER-ACCOUNT TRANSFERS</i>	(XXXXX)
ENDING BOOK BALANCE	<u>(XXXXXXX)</u>

Cash Handling

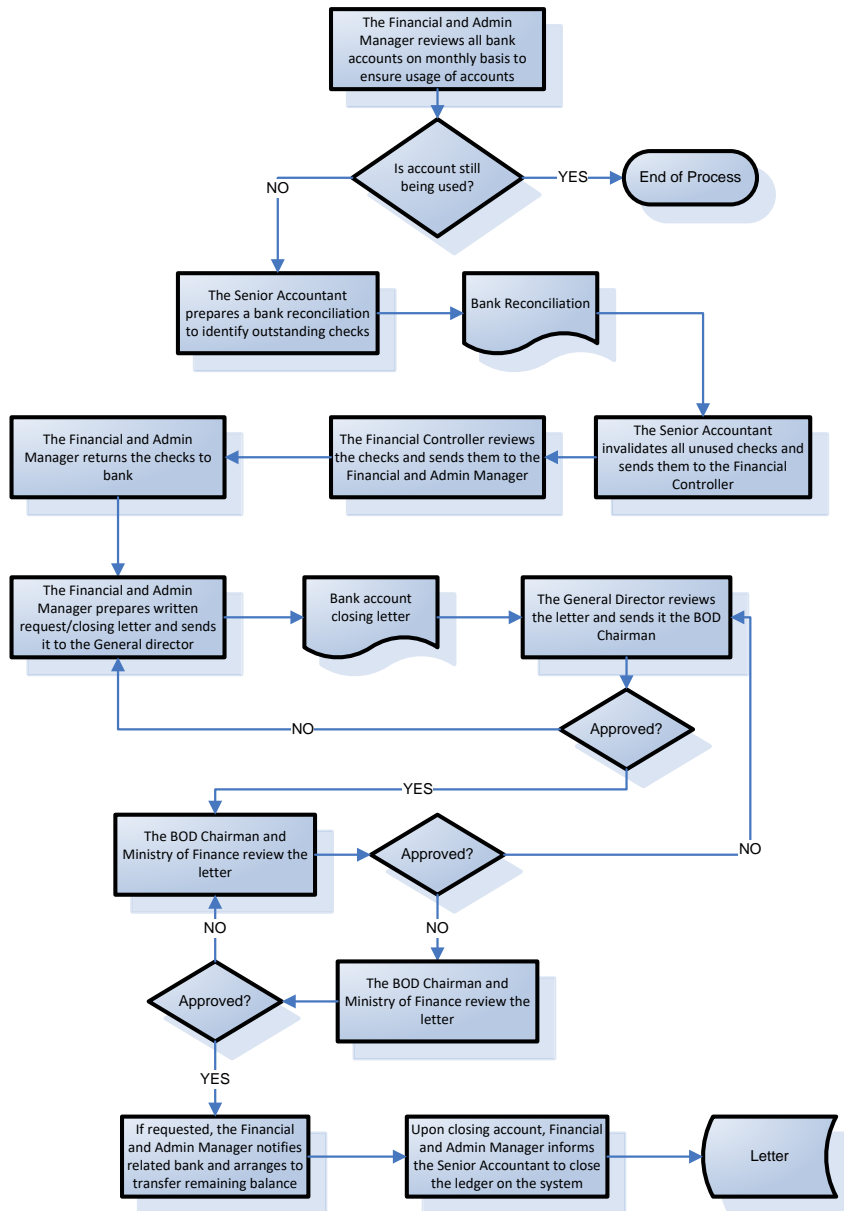
Process Maps:

Opening and Authorization of New Bank Accounts



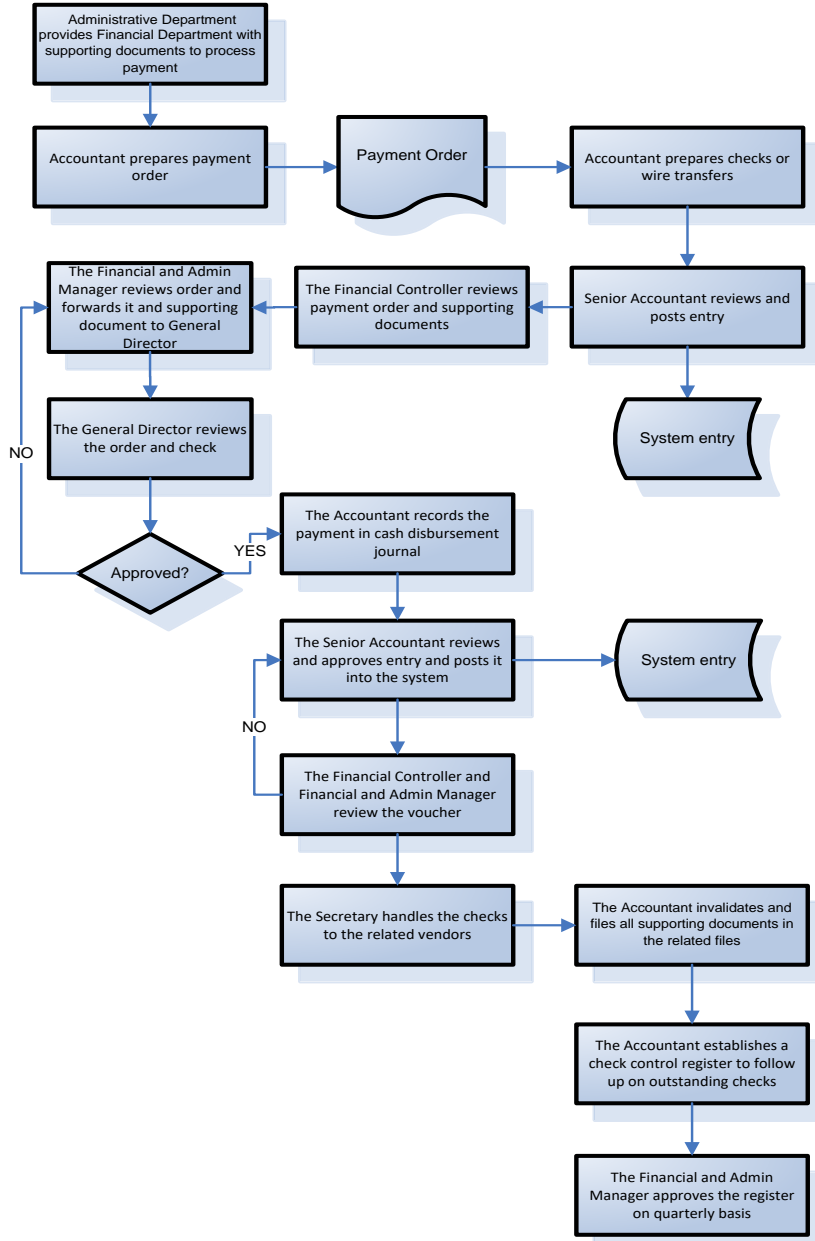
Cash Handling

Closing Bank Accounts



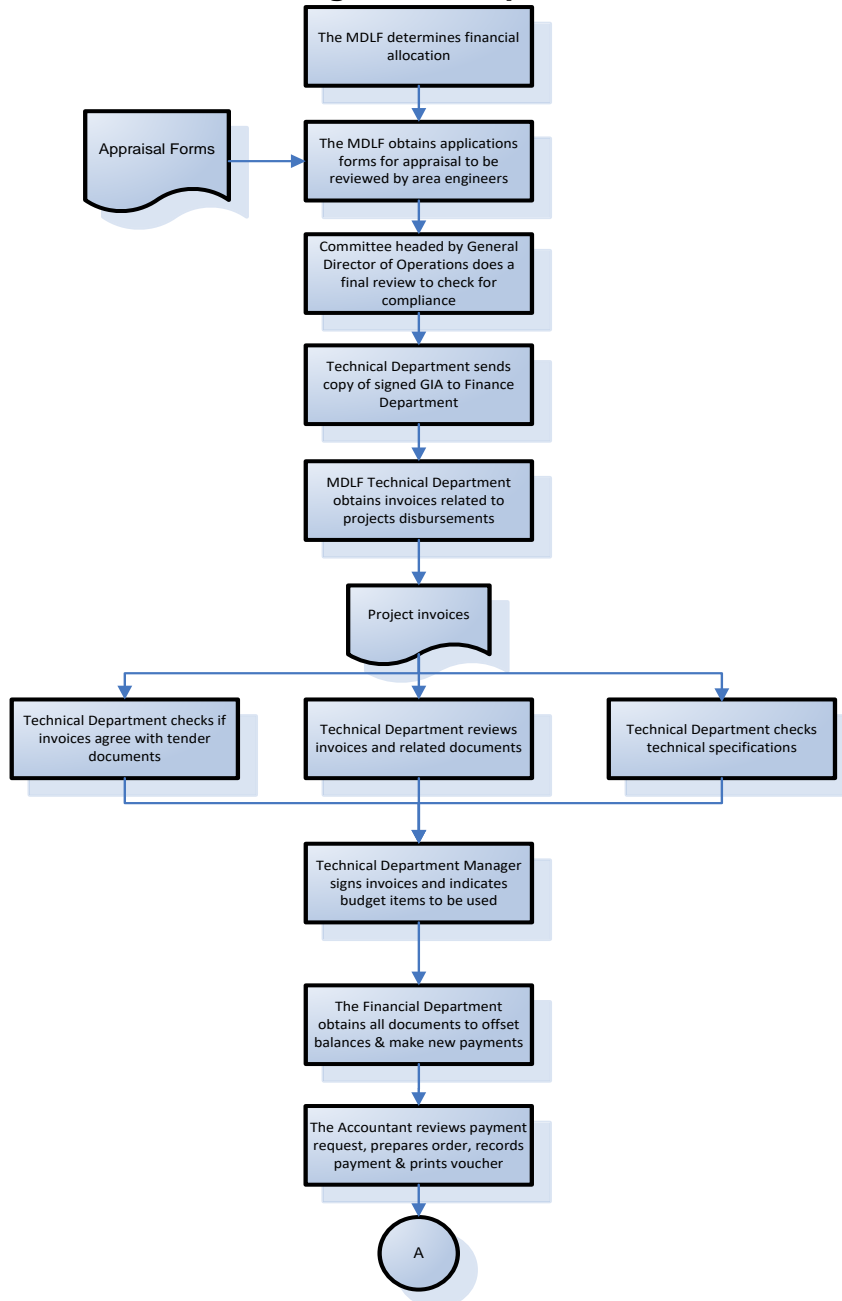
Cash Handling

Check Issuance, Wire Transfers, and Cash Disbursements - Operating Expenses

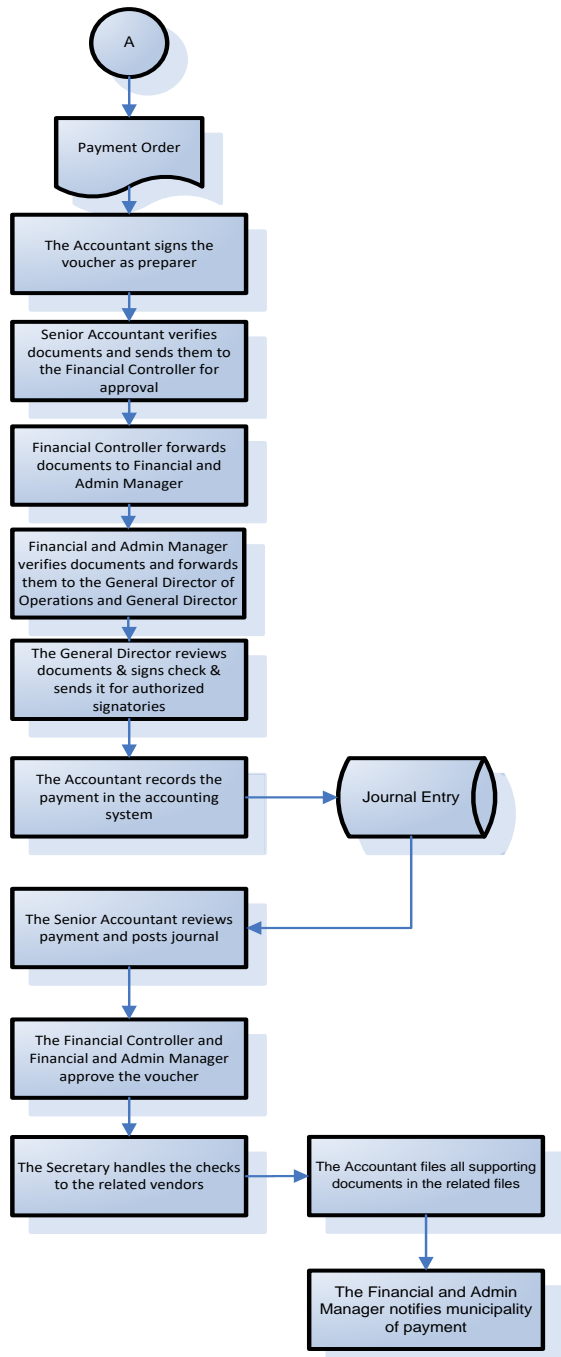


Cash Handling

Check Issuance, Wire Transfers, and Cash Disbursements - Programme Expenses

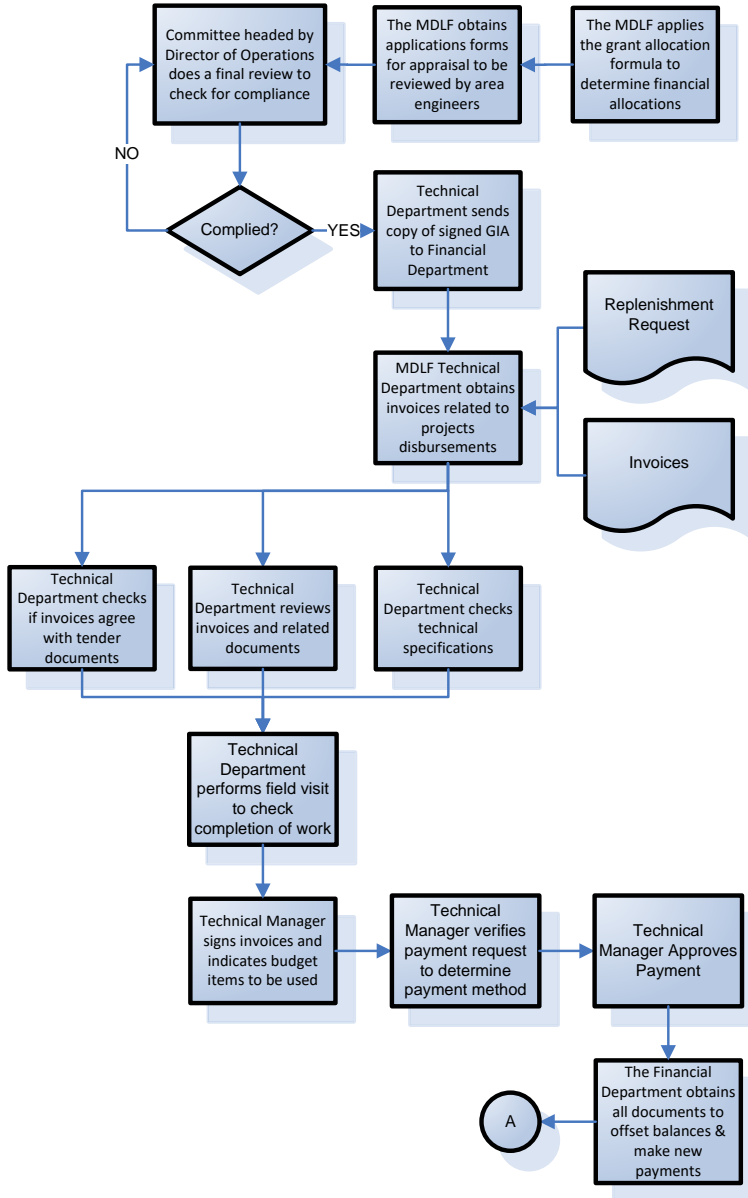


Cash Handling

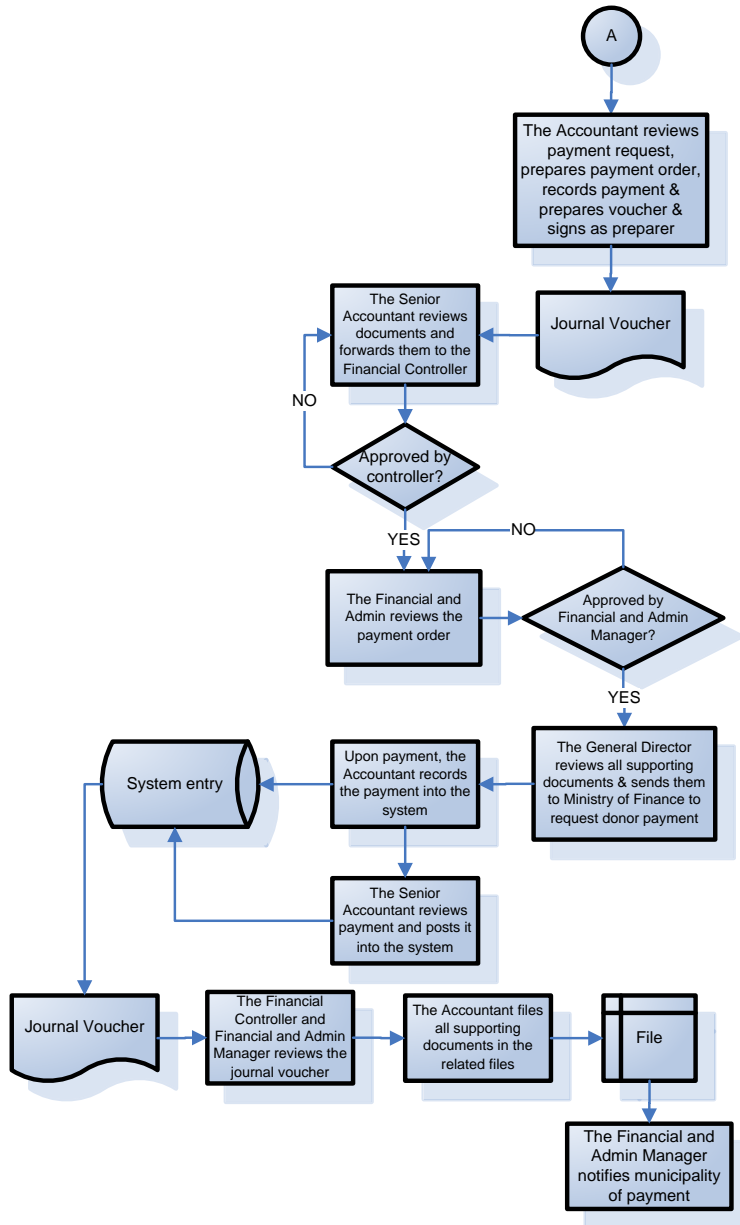


Cash Handling

Check Issuance, Wire Transfers, and Cash Disbursements - Direct Payments by Donors

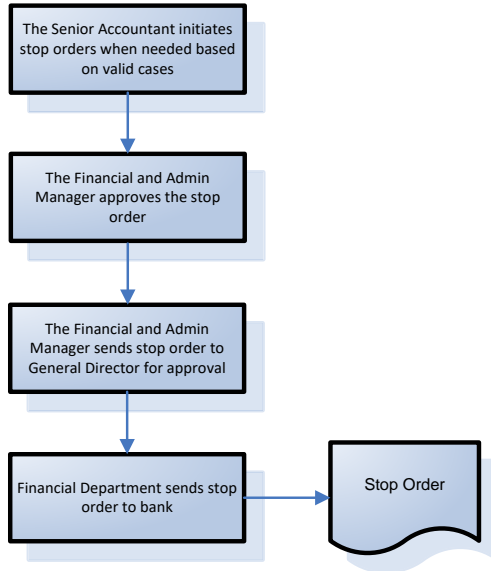


Cash Handling



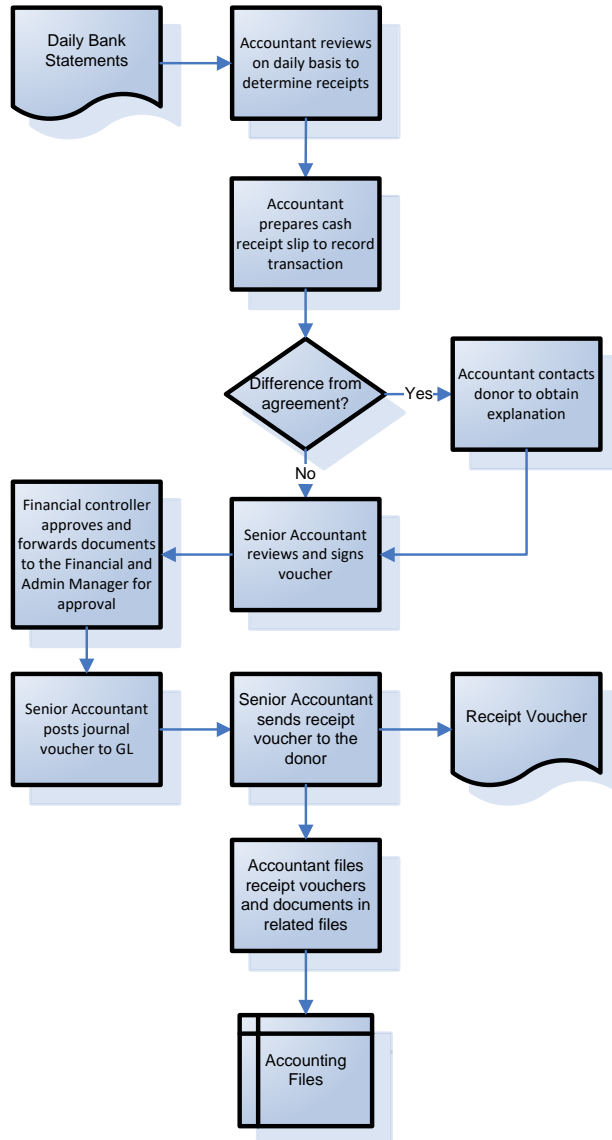
Cash Handling

Check Stop Orders



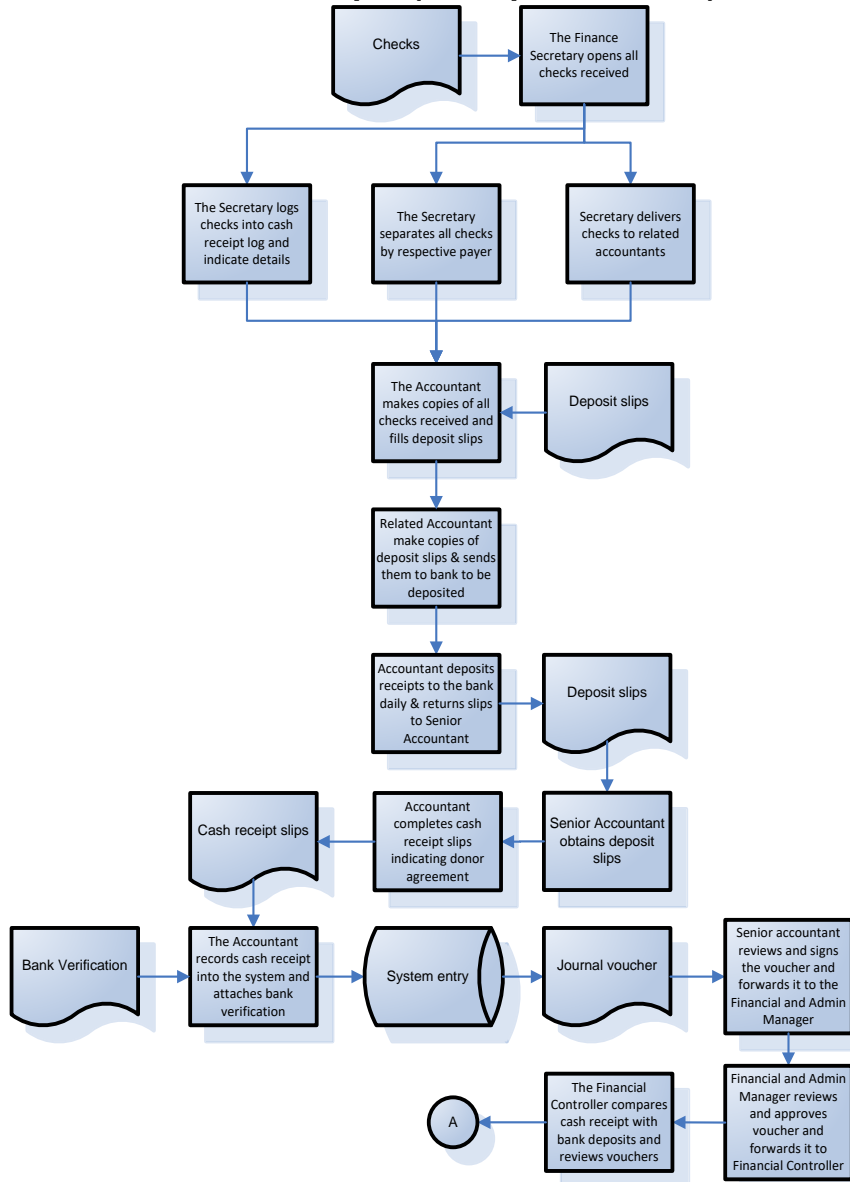
Cash Handling

Cash Receipts (Wire Transfers)

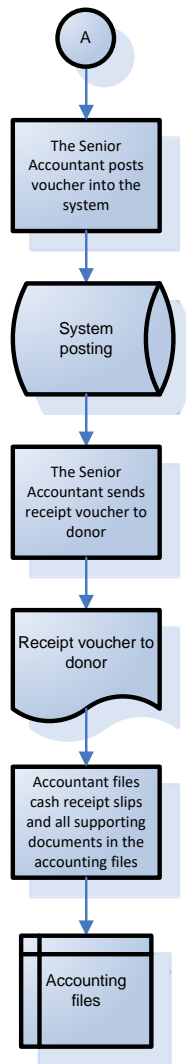


Cash Handling

Cash Receipts (Receipt of Checks)

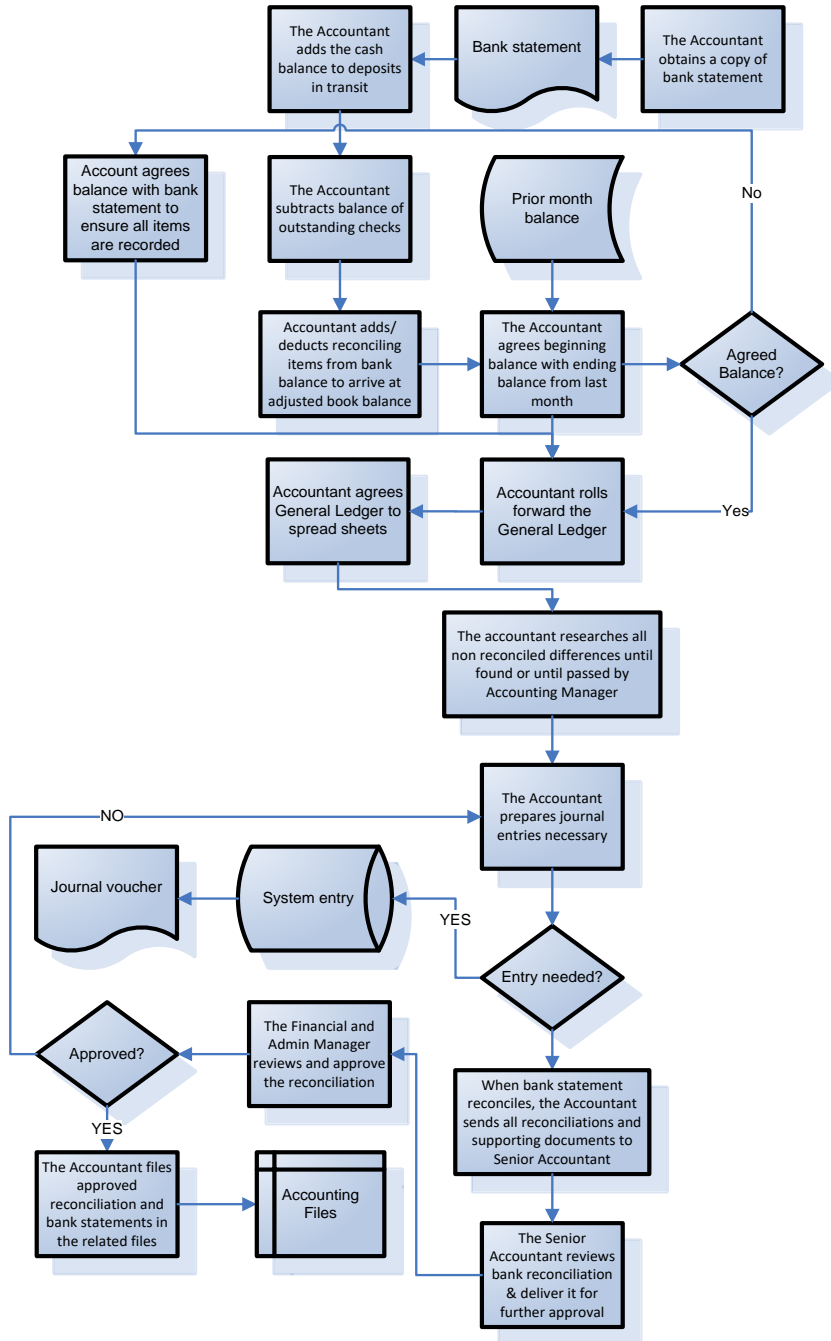


Cash Handling



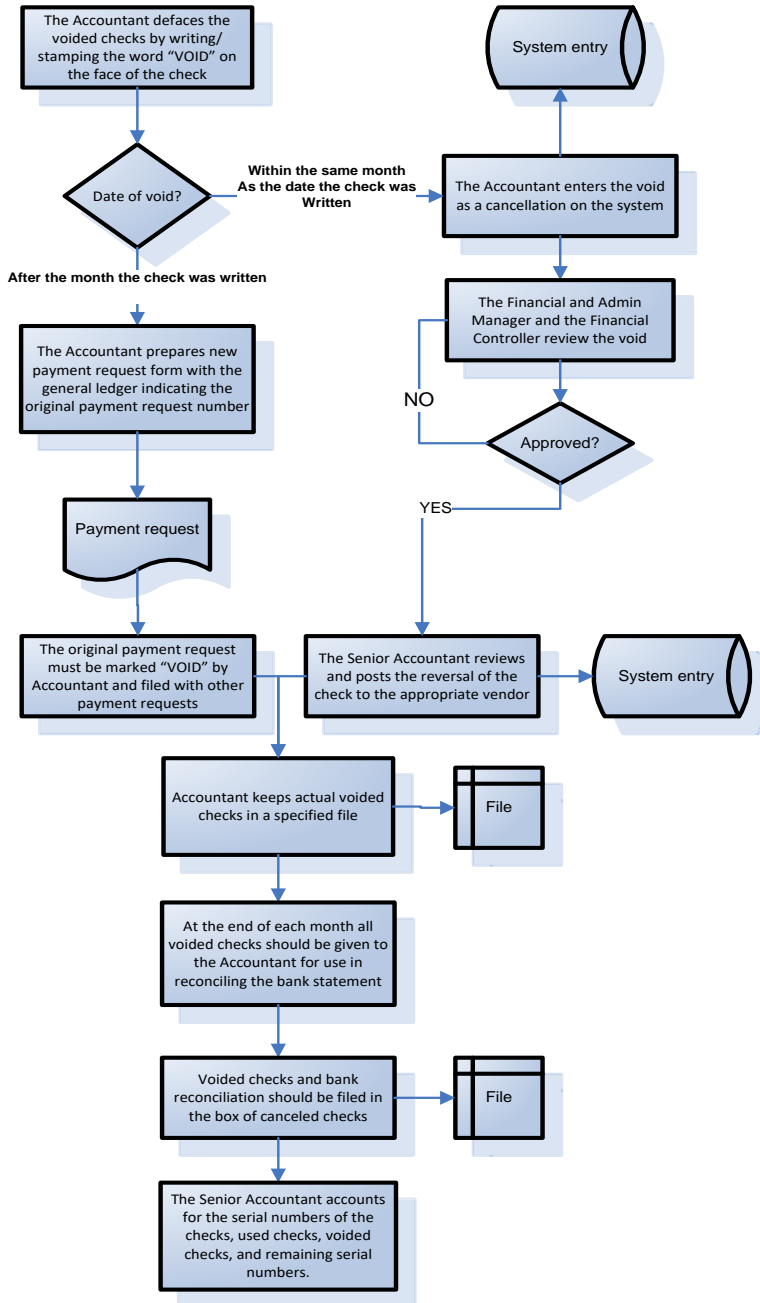
Cash Handling

Bank Reconciliations



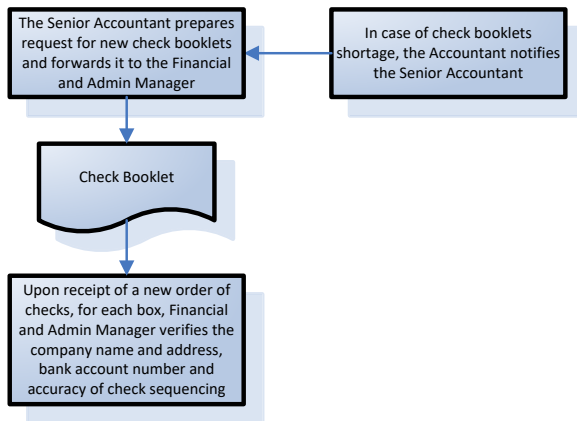
Cash Handling

Voided Checks



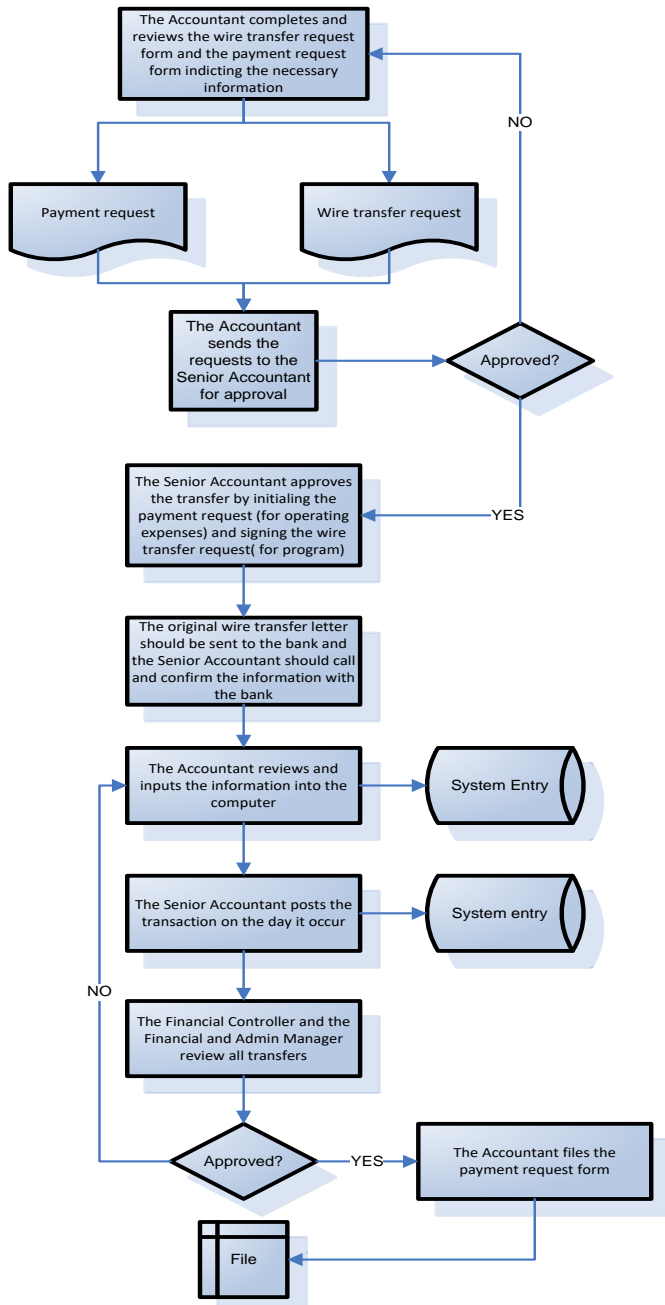
Cash Handling

Request of Check Booklets



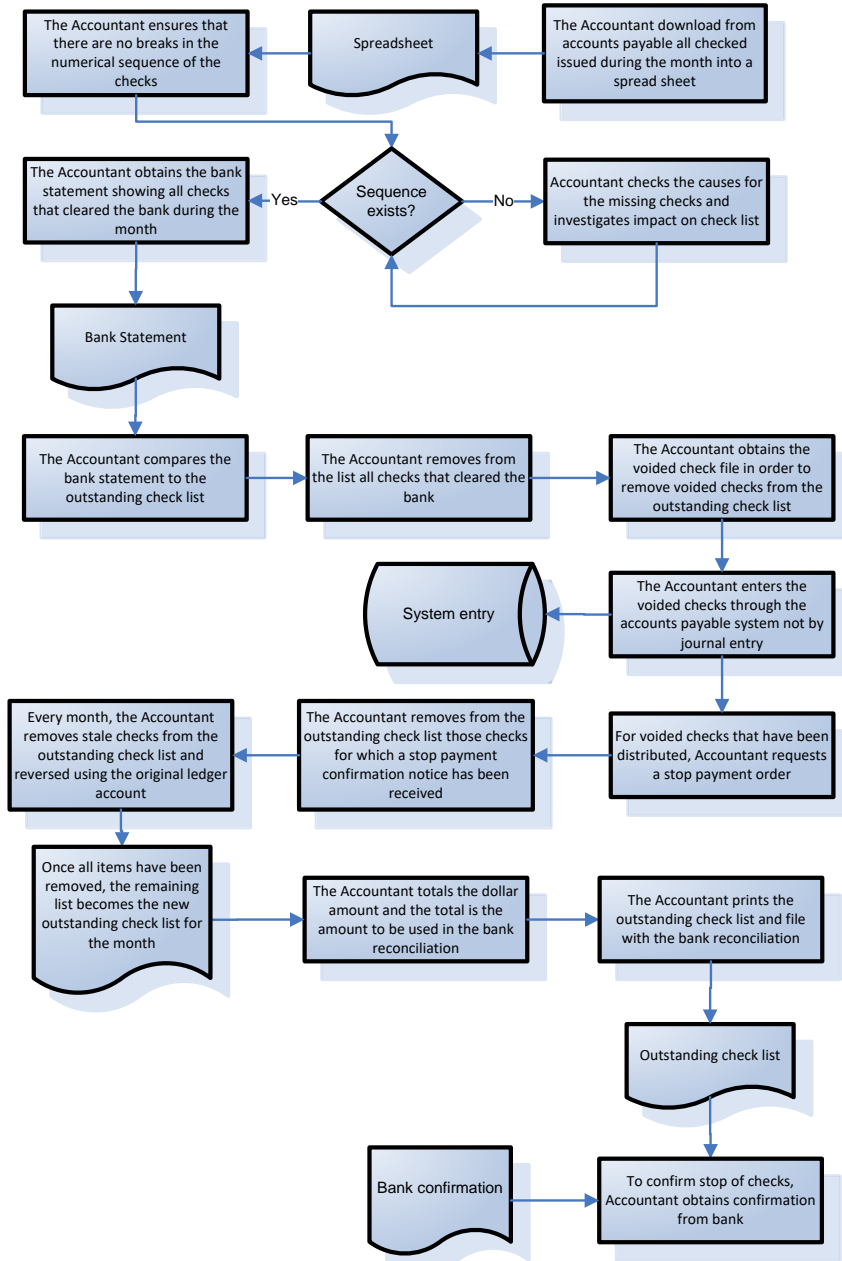
Cash Handling

Wire Transfers-Out



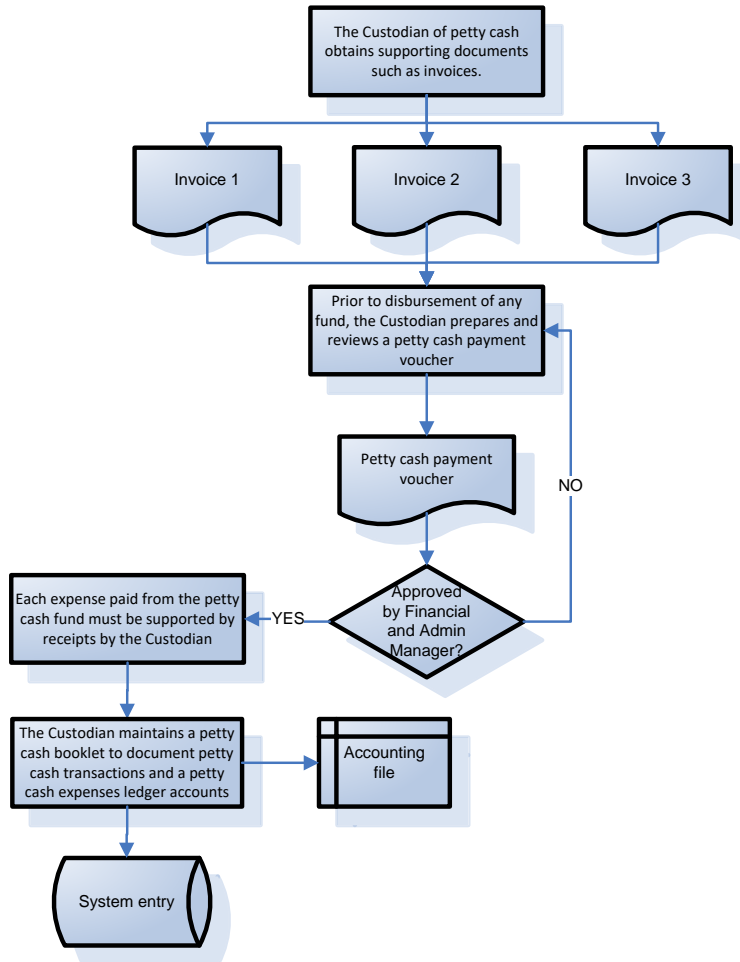
Cash Handling

Manage Outstanding Checks



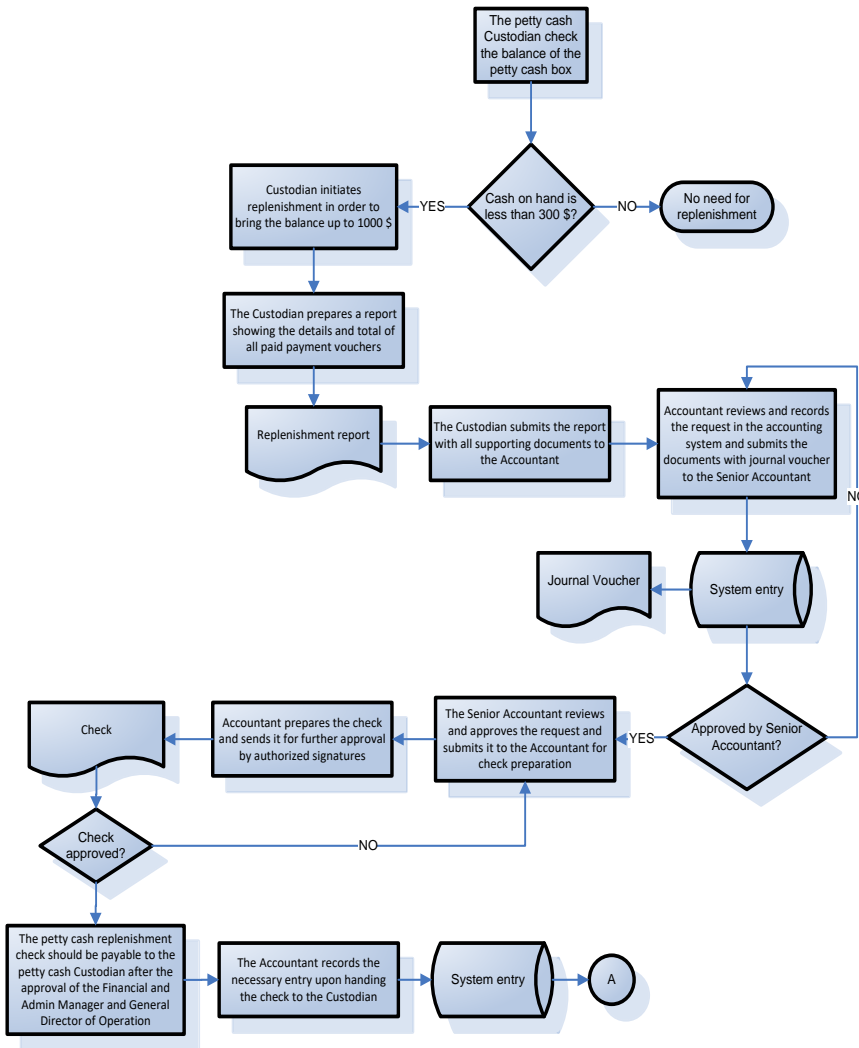
Cash Handling

Disbursements from the Petty Cash

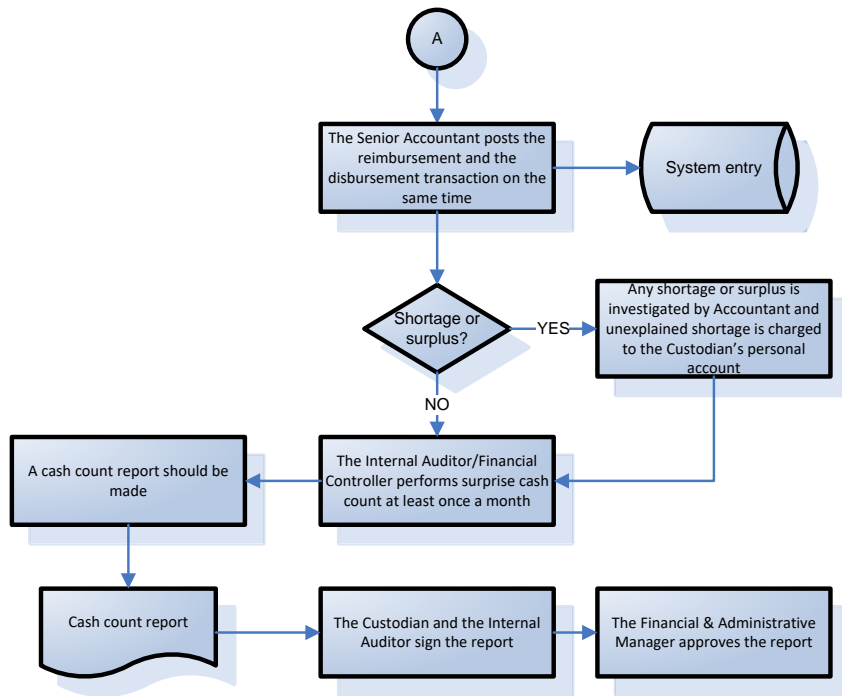


Cash Handling

Replenishment of the Petty Cash

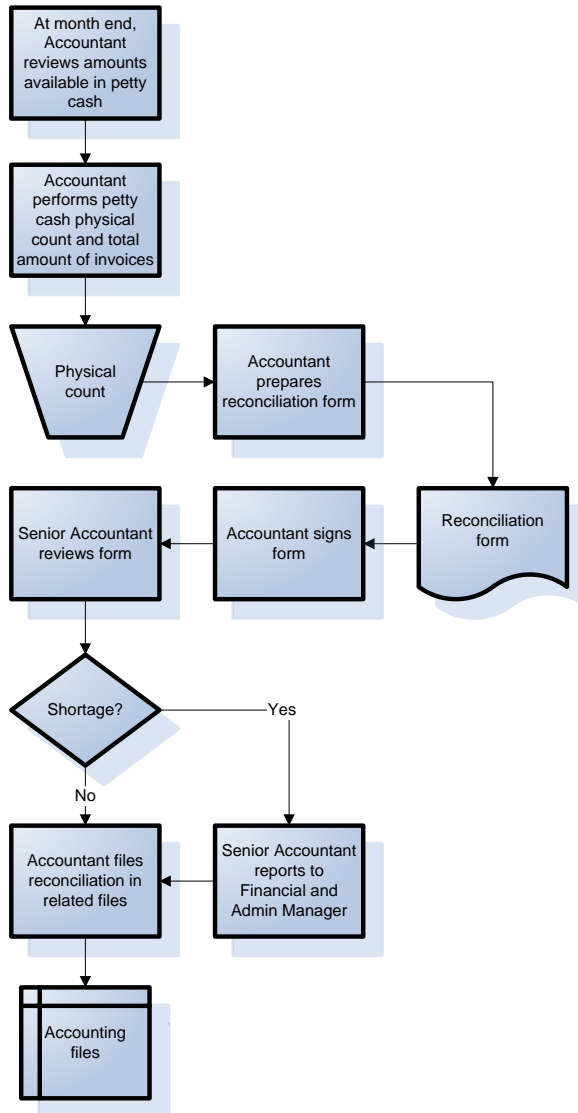


Cash Handling



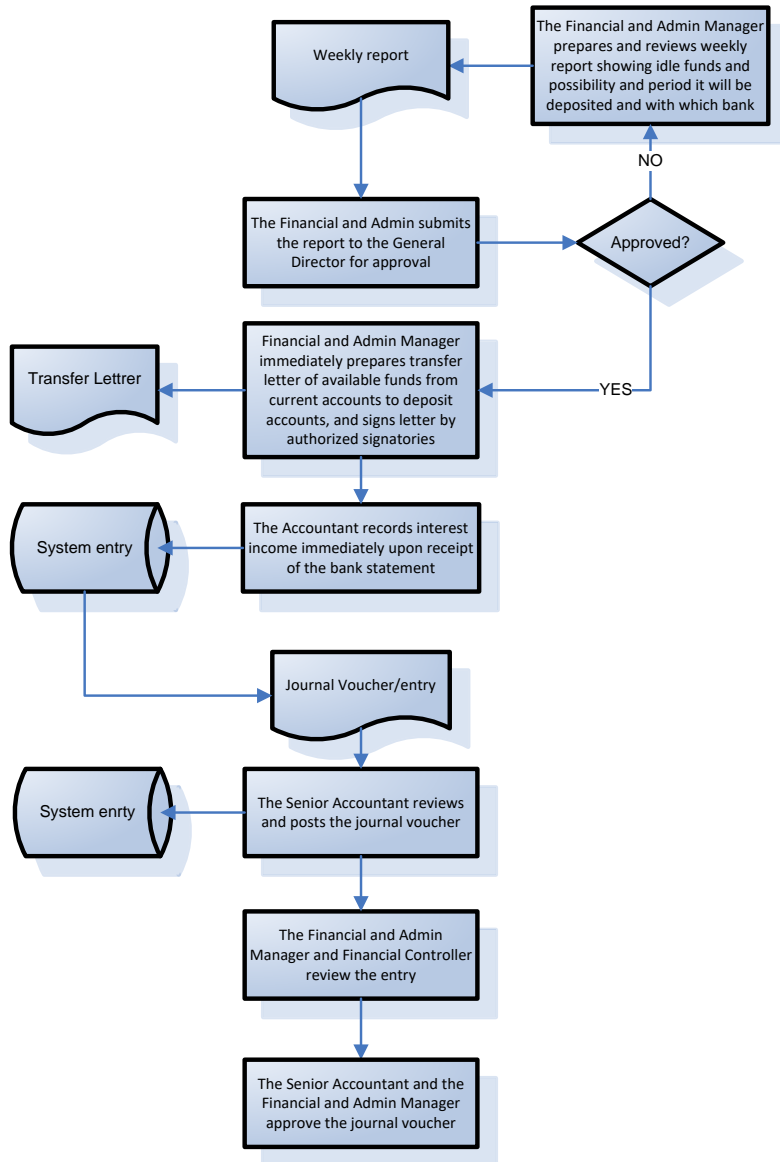
Cash Handling

Monthly Petty Cash Reconciliation



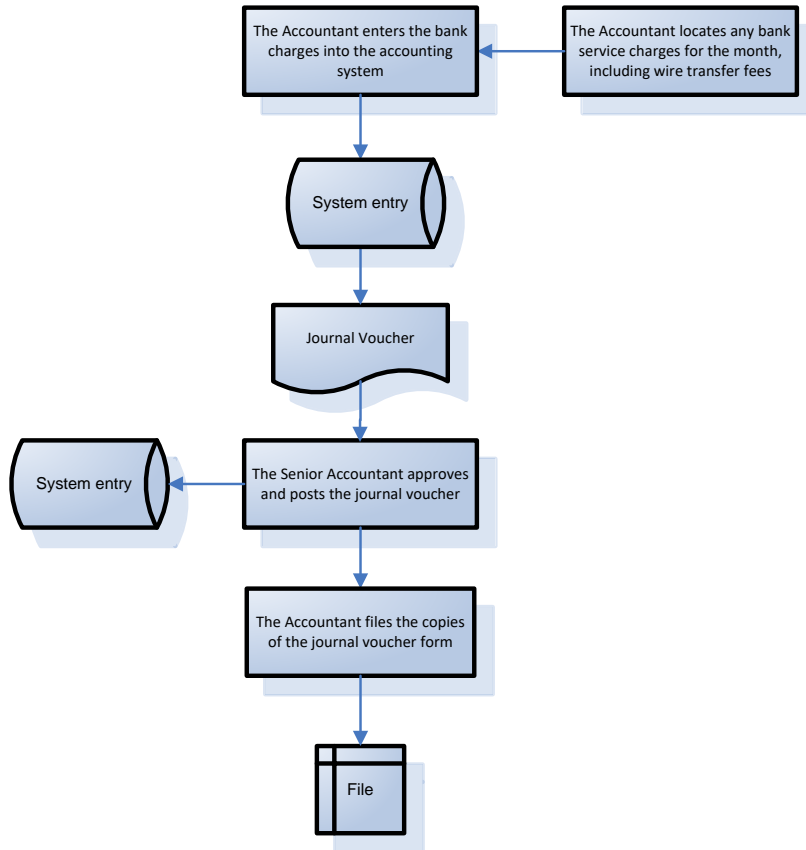
Cash Handling

Investing Cash



Cash Handling

Bank Charges



Procurement and Accounts Payable

I. Requisitioning, Purchasing and Receiving

Purpose

The purpose of this section is to provide policies and procedures for the MDLF's procurement of goods and services, processing invoices, and for recording the accounts payable.

Policy

1. These policies and procedures specify purchase authority limits and determine the policies and procedures that should be used in purchasing goods, services and fixed assets for the MDLF and for recording corresponding liabilities for payment.
2. A pre-numbered Internal Purchase Requisition (IPR) should be used for each request of goods and services that exceeds \$10.
3. MDLF should have separate procurement policies and procedures for programmes and operational expenditure.
4. The Administrative Department, at the beginning of each calendar year, should perform an annual tendering for MDLF recurring purchases, such as fuel, stationary, office supplies...etc.
5. Access to the electronic data vendor master file on the accounting software should be monitored by the Financial and Administrative Manager and should be authorized to specific employee in the Financial Department. Any change to the master file should be approved by the Financial and Administrative Manager. Special forms could be used for this purpose.

Procedures

List of Approved Vendors

1. An approved list of vendor should be prepared and maintained by the Administrative Department at the beginning of each year.
2. The approved list of vendors should be compiled of MDLF regular purchases and should be developed based on tenders performed annually to identify least prices and best qualities.
3. The Administrative Employee should maintain files for the approved vendors. The files should contain price lists, available services, products and specifications, supplier experience with the related products, and history of dealings with the MDLF.

Procurement Process (MDLF)

1. An Internal Purchase Request (IPR) should be prepared and signed by the employee who requests the procurement.
2. The employee should submit the IPR to his/her department's Manager for review and approval.

Procurement and Accounts Payable

3. The requesting department should submit the IPR to the Administrative Department to proceed with the procurement process.
4. The IPR should be pre-numbered by the Administrative Employee and should be recorded in a special IPR register, which should be maintained at the Administrative Department.
5. The Administrative Department should check whether the requested purchases are available at MDLF, and if not, the Administrative Employee should send the IPR to the Financial and Administrative Manager for review and approval.
6. The Financial and Administrative Manager should approve the IPR after assessing the requesting department's need of the purchases and whether there is available budget for the requested purchases.
7. After being approved by the Financial and Administrative Manager, the IPR should be endorsed by the General Director and then submitted to the Procurement Department in order to select the appropriate procurement method and determine the required procedures.
8. The Procurement Department should study the IPR and select the appropriate procurement method, in accordance with the authorization matrix table (See the Annex below – Procurement Authorization Matrix).
9. The Procurement Officer should prepare the necessary documents, in accordance with the method selected.
10. If the tender method is selected, the Administrative Department should obtain the Procurement Department assistance in regard to the best tendering and procurement procedures to follow.
11. The Administrative Employee should follow and monitor the procurement process until the goods or services are delivered by the vendor.
12. A receiving report should be prepared for all received purchases as follows:
 - When purchases are equal or below \$1,000 the receiving report should be prepared and signed by the requesting department and the Administrative Department.
 - When purchases are more than \$1,000 a special receiving committee should be formed by the General Director and should include at least 4 persons from the Financial Department, Procurement Department, Requesting Department and someone who has technical knowledge of purchases. The Internal Auditor may attend the receiving process to ensure that proper receiving procedures are followed. The receiving report should be prepared by the Administrative Department and signed by the receiving committee.
13. The receiving persons/committee should verify the quality and quantities received and should reconcile the quantities with the purchase request, the purchase order, the tax invoice, and the contract, if any.
14. The Administrative Department should send the purchasing documents (IPR, purchase order, quotations/tenders evaluation report, vendor tax invoice, and the receiving report) to the Financial and Administrative Manager for reviewing, recording, approving and for preparing the payment.

Procurement and Accounts Payable

II. Accounts Payable

Purpose

The purpose of this section is to provide policies and procedures for recording of MDLF's Accounts Payable and processing of payments.

Policy

1. The Financial Department is responsible for recording MDLF's purchases and for payment to vendors.
2. The MDLF should use the accrual basis in recording purchases and in processing payments to vendors.
3. Accounts payable should be reconciled periodically.
4. Payables should be recorded at face value plus or minus any interest premium or discount and other appropriate adjustments. The payable amount can be determined from the billing received and should be verified against purchase orders/requisitions, contract terms or any other appropriate documents prior to recording liability.
5. When actual values are not available, recorded value should be based on best available estimates. Estimates should be based on current market price, past history and comparables.

Procedures

Invoice Processing

1. The Financial and Administrative Manager should submit purchasing documents to the Accountant in order to record the required journal entry.
2. The Accountant should verify the existence, approval and consistency of the following supporting documents before recording the procurement transaction in the accounts payable ledger:
 - Internal Purchase Request;
 - Purchase Order;
 - Quotation Evaluation Reports, if any;
 - Contract with the vendor, if any;
 - Purchase Receiving Report;
 - Supplier Tax Invoice;
 - Tax Deduction at Source.
3. Each suppliers' tax invoice should be checked by the Accountant against the following:
 - Clerical accuracy;
 - Agreement of description, specification, unit cost and quantity received to the purchase order noting proper authorization;

Procurement and Accounts Payable

- Comparison of the credit period and terms with those specified on the purchase order and agreement, if any.
4. If the documents are not satisfactory, they should be returned to the Administrative Department.
 5. If the documents are satisfactory, the Accountant should record the invoices into the accounts payable ledger as follows:

<p><i>Dr. Expenses/Fixed Assets XXXXX</i></p> <p><i>Cr. Accounts Payable (Vendor) XXXXX</i></p>

6. If it is agreed to make an advance payment to the vendor, proper payment procedures should be followed, and the payment should be recorded as receivable and controlled in a manner that assures they will be recovered by an offset against vendor invoices.

Monitoring and Reconciliations

1. The accounts payable ledger should be reviewed, by the Financial Controller, on a monthly basis for any debit balances. Accordingly, the debit balances accounts should be reclassified to their related accounts.
2. A statement of account should be obtained from recurring vendors periodically, on a sample basis, for example on a semi annual basis.
3. Based on the statement of account received, the Financial Controller should prepare reconciliation with the accounts payable ledger.
4. Any reconciling items resulting from unrecorded liabilities or payments should be investigated and promptly adjusted.
5. Any debit balance in the accounts payable ledger should be brought to the attention of the Financial and Administrative Manager.
6. Monthly accounts payable reported by the Accountant should be prepared to identify payments due for the period and investigate any long outstanding balances.
7. At year-end, confirmations and statements of major 4 to 6 suppliers' accounts should be obtained from them in order to confirm their outstanding liabilities, if any.
8. If confirmation balance does not agree with the vendor's ledger balance, accounts payable reconciliation should be prepared to quantify and resolve the differences.

Accounts payable reconciliations should be approved by the Financial and Administrative Manager.

Procurement and Accounts Payable

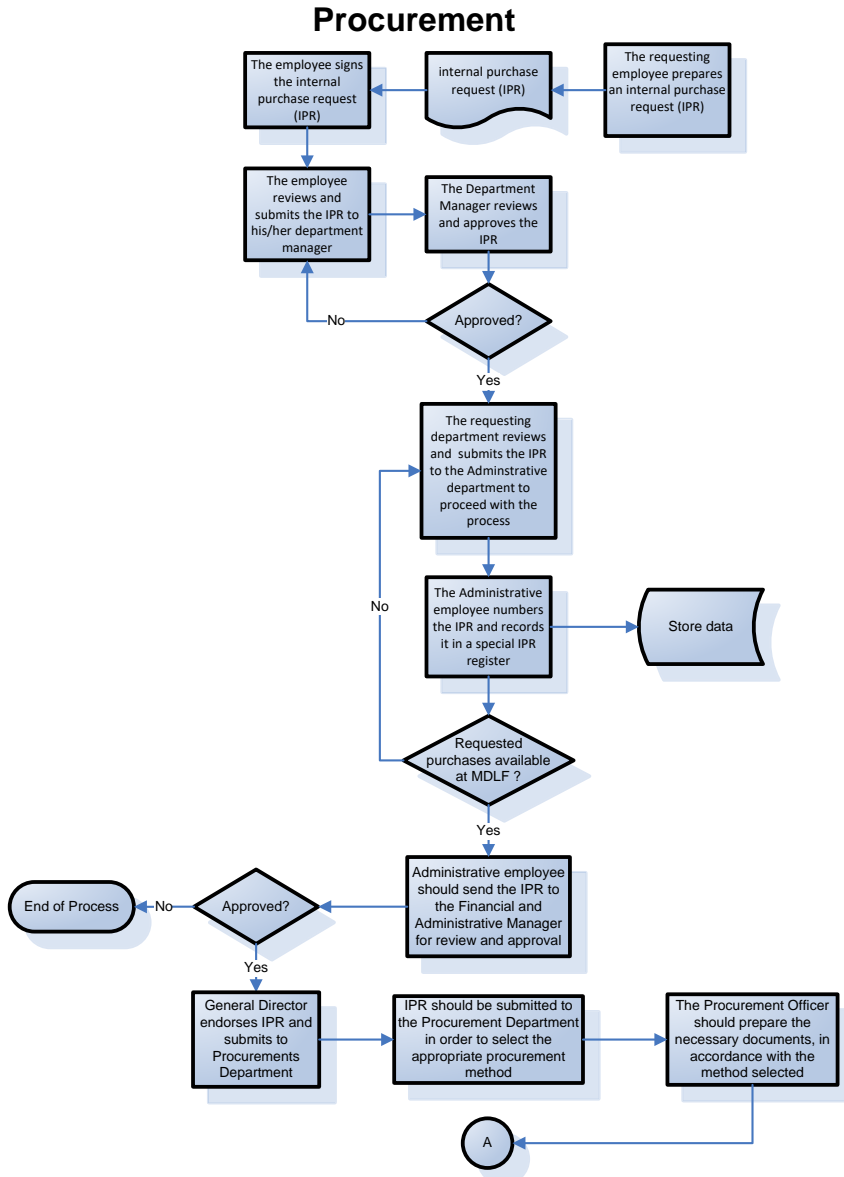
Annex:

Procurement Authorization Matrix

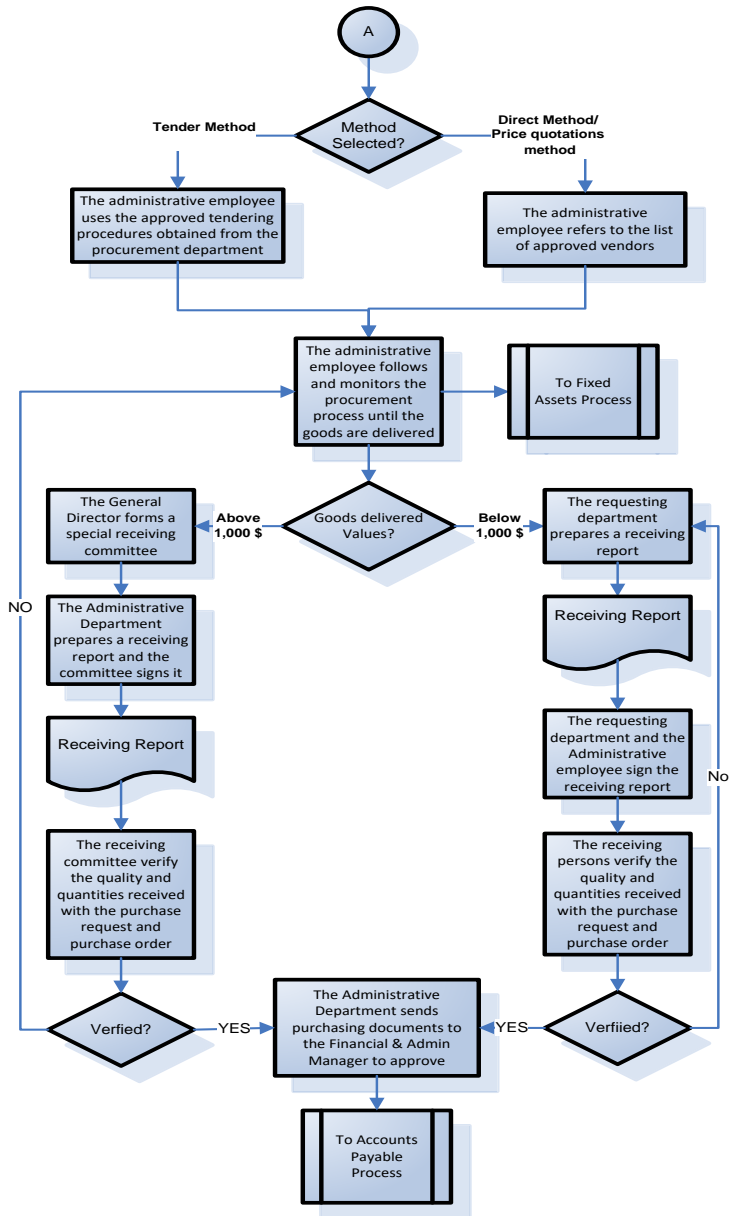
Price Level	IPR Approval	Purchase Order Approval	Payment Authorization	Payment Method	Method of Purchasing
\$0-\$100	Requesting Department Manager	Financial and Administrative Manager	Financial and Administrative Manager	Petty Cash	Direct
\$101-\$500	Requesting Department Manager	Financial and Administrative Manager	Bank Account Authorized Signatories	Check	Direct
\$501-\$1000	Financial and Administrative Manager	General Director	Bank Account Authorized Signatories	Check	3P/Q through telephone
\$1001-\$5,000	- Financial and Administrative Manager -	General Director	Bank Account Authorized Signatories	Check or Wire Transfer	3 P/Q
\$5,001-and above	- Financial and Administrative Manager -	General Director	Bank Account Authorized Signatories	Wire Transfer	Tender

Procurement and Accounts Payable

Process Maps:



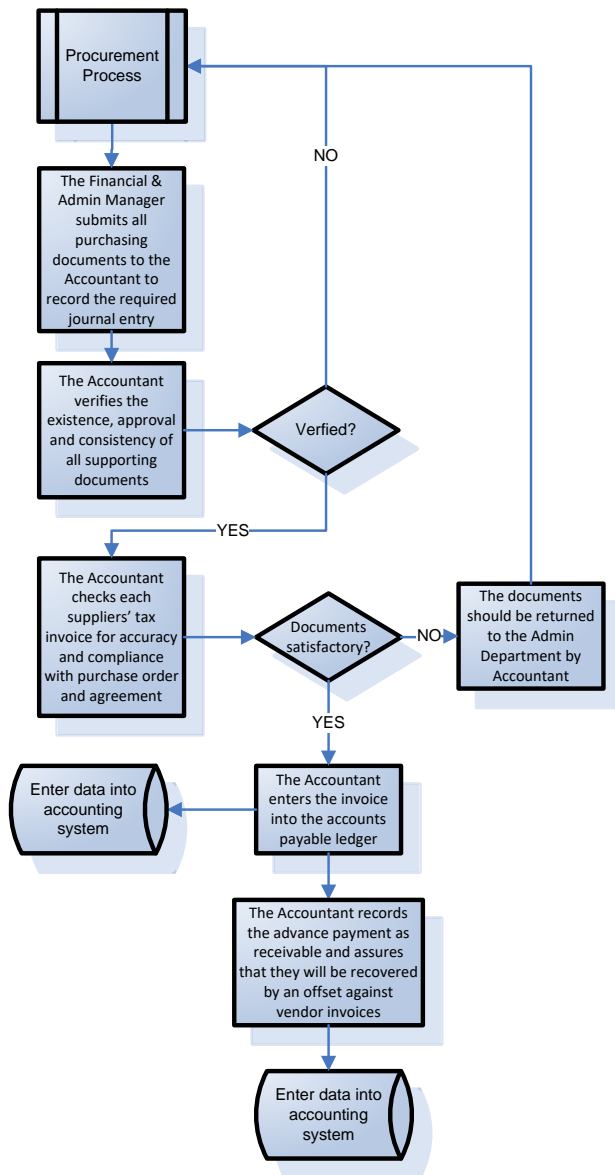
Procurement and Accounts Payable



Procurement and Accounts Payable

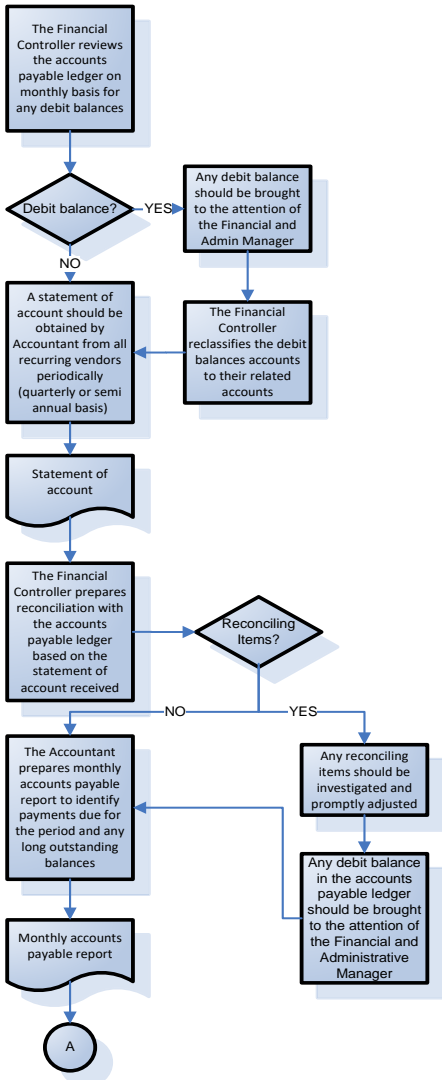
Accounts Payable

Invoice Processing

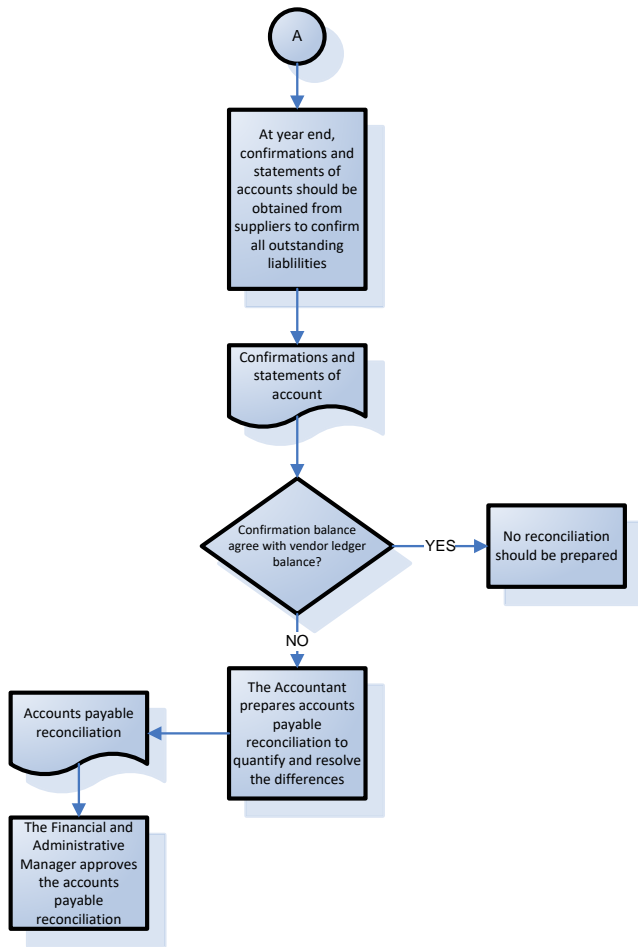


Procurement and Accounts Payable

Accounts Payable Monitoring



Procurement and Accounts Payable



Fixed Assets

To establish written procedures that will ensure proper recording and accountability for fixed assets and to establish and implement controls necessary to protect the assets of the MDLF.

I. Acquisition, Costing & Capitalization of Fixed Assets

Purpose

To establish written procedures that will ensure proper recording and accountability for fixed assets and to establish and implement controls necessary to safeguard the assets of the MDLF.

Policy

1. The fixed assets are tangible assets owned by the MDLF and used in MDLF operations (not for resale). They have initial estimated useful life beyond a single year. A fixed asset with an initial cost (inclusive of ancillary charges) of at least \$100 should be capitalized and becomes known as a capital asset.
2. A fixed asset is capitalized only if it meets all of the following conditions:
 - Owned or considered owned by the MDLF.
 - Held for operations (not resale).
 - Has a useful life that exceeds one year.
 - Meets the capitalization threshold.
3. With the exception of donated assets, fixed assets are accounted for at the original acquisition cost, which includes the purchase price and all costs necessary to put that asset into existing use and location. These costs include but are not limited to freight, insurance, and installations (i.e., ancillary costs.). The cost of an asset will be recorded at the historical cost of the asset.
4. When two or more assets are obtained at the same time and their individual costs are not readily known, the individual costs are allocated to the assets based on their relative fair market values at the time of acquisition. These costs are simply the ratio of the initial acquisition cost vs. their relative fair market values.
5. When the MDLF receives donations of fixed assets, donations of capital assets should be recorded in the accounting records as revenue at the fair value at the date of receipt and capitalized in the accounting records. The methodology used for determining fair value should be documented.
6. All the documentation supporting the acquisition cost of an asset along with reports or information substantiating its existence and location should be maintained and made available for examination by the Internal and External Auditors.
7. All documentation supporting the relocation, improvement or betterment of an asset, including cost of such action and dates, should be maintained and made available for examination by the Internal and External Auditors.

Procedures

Fixed Assets

Acquisition of Fixed Assets:

1. The Administrative Department is responsible for the procurement of fixed assets.
2. The vendor's invoice should be received by the Administrative Department.
3. The Administrative Employee should verify the invoice and attach it to the following:
 - Internal Purchase Request (IPR);
 - Original Official Vendor Invoice;
 - Receiving Report;
 - Deduction at Source;
 - Contract, when applicable.
4. The Administrative Employee should submit the invoice with the supporting documents to the Financial Department to record the purchase of fixed assets and process the payment to the vendor.
5. The Financial and Administrative Manager reviews the invoice with the supporting documents and puts his initial on the invoice to indicate his approval of recording the fixed assets and initiating the payment process.
6. A copy of the receiving report should be submitted to the Administrative Department in order to update the fixed assets register and prepare the identification tags.
7. The Accountant records the purchase of fixed assets in the accounting records, using the following entry:

<p style="text-align: center;"><i>Dr. Fixed Assets XXXXX</i> <i>Cr. Accounts Payable – Vendor XXXXX</i></p>

8. The Accountant should send the documents to Senior Accountant to review it and post it into the accounting system.
9. The Senior Accountant should review and post the journal voucher, attach the supporting documents with the journal voucher, sign it and send it to the Financial and Administrative Manager for review and approval.
10. The Accountant initiates the payment process.
11. The Senior Accountant should ensure that the purchased fixed assets are identified with specific tag numbers by the Administrative Department and should report any delay to the Financial and Administrative Manager (See Fixed Assets Identification Procedures).
12. The Senior Accountant should ensure that the purchased fixed assets are recorded in the fixed assets register by the Administrative Department and should report any delay to the Financial and Administrative Manager (See the Fixed Assets Register and Records Procedures).

Receiving of Donated Fixed Assets:

1. The Administrative Department is responsible for receiving donated fixed assets and should prepare a Receiving Report of the donated fixed assets.

Fixed Assets

2. The Administrative Department should submit the Receiving Report to the Financial Department to record the donated fixed assets.
3. The Financial and Administrative Manager is responsible for determining the fair value of assets received before they are recorded.
4. The Financial and Administrative Manager submits the Receiving Report with its fair value to the Accountant to record it in the accounting system
5. A copy of the Receiving Report should be maintained by the Administrative Department in order to update the fixed assets register and prepare the identification tags.
6. The Accountant should record the donated assets in the accounting records. Those assets are recognized as revenues and should be recorded as follows:

<p><i>Dr. Fixed Assets XXXXX</i></p> <p><i>Cr. Other Revenues - donations XXXXX</i></p>

7. The Accountant should send the documents to Senior Accountant to review it and post it to the accounting system.
8. The Senior Accountant should review and post the journal voucher, attach the supporting documents with the journal voucher, sign it and send it to the Financial Controller for review and approval.
9. The Senior Accountant should ensure that the donated fixed assets are identified with specific tag numbers by the Administrative Department and should report any delay to the Financial and Administrative Manager (See Fixed Assets Identification Procedures).
10. The Senior Accountant should ensure that the donated fixed assets are recorded in the fixed assets register by the Administrative Department and should report any delay to the Financial and Administrative Manager (See the Fixed Assets Register and Records Procedures).

Fixed Assets

II. Depreciation of Fixed Assets

Purpose

To provide guidelines for the depreciation of the MDLF fixed assets.

Policy

1. The entire cost of an asset must be depreciated. Depreciation is allocated monthly over the estimated useful life of the capital asset, as detailed below.
2. Depreciation is to commence in the first month after the asset is placed into service.
3. Fixed assets will be depreciated on a straight-line method over their estimated useful life.
4. Guidelines for estimated useful lives by capital asset category are as follows:

<u>Capital Asset Category</u>	<u>Estimated Useful Life</u>
Furniture	10 Years
Vehicles	5 Years
Equipment	5 Years
Computer	3 Years
Software	5 Years

5. The above useful lives may be affected by changes in the business and technological environment or the use of the equipment.
6. Depreciation expense for a fixed asset begins in the month following the acquisition date of the asset and continues until the accumulated depreciation equals the original installed cost, or until the asset is retired from service.
7. A fully depreciated fixed asset will remain in the fixed asset sub-ledger until the fixed asset is retired from service.

Procedures

1. The Senior Accountant is responsible for computing, recording, and posting of depreciation of fixed assets.
2. The Accountant calculates the depreciation of fixed assets, at the last working day of each month, based on the following:
 - Capital assets category/item;
 - Depreciation rate designated for the asset;
 - Asset cost, as shown in the accounting records.
3. If the accounting software calculates depreciation automatically, the Accountant should print out the depreciation calculation sheet, sign it and submit it to the Senior Accountant for review and approval.

Fixed Assets

4. The Senior Accountant should review the calculation sheet, sign it, and send it back to the Accountant.
5. The Accountant prepares the depreciation journal voucher based on the calculation sheet and notifies the Senior Accountant to review and post the journal voucher. If the accounting software prepares the journal automatically, the Accountant should review the journal and ensure it matches the automatic calculation sheet and notify the Senior Accountant to post the journal.
6. The Senior Accountant reviews the journal voucher and ensures the following:
 - All fixed assets are included;
 - The depreciation rates used are in compliance with the authorized rates;
7. The Senior Accountant posts the journal voucher to the General Ledger and submits the journal, attached with the calculation sheet, to the Financial Controller for review.
8. The Accountant should file the voucher in the journal vouchers file.

Fixed Assets

III. Disposal of Fixed Assets

Purpose

To provide guidelines for the disposal of the MDLF fixed assets.

Policy

1. The Administrative Department is responsible for identifying the following:
 - Obsolete assets;
 - Damaged beyond repair assets;
 - Completely used assets;
 - Junk assets;
 - Mysterious disappearance;
 - Involuntary conversion.
2. Disposing of a fixed asset requires removing the asset's net book value from the accounting records. This involves removing the original cost and the accumulated depreciation of the asset.
3. Any difference between the proceeds received and the net book value represents a gain or loss on the disposal of fixed assets.
4. This gain or loss should be recognized in profit and loss for the year in which the asset was removed.

Procedures

1. The Administrative Department is responsible for identifying the fixed assets that need to be disposed and should obtain the required approvals. The Administrative Department should perform the following:
 - Complete an appropriate form to dispose the asset signed by the asset user;
 - Obtain the approval of the department's manager to dispose the asset;
 - Obtain the recommendation of the appointed disposal committee.
 - If the historical cost of the disposed asset exceeds 5,000 USD, the General Director should nominate a committee, which should consist of the Financial and Administrative Manager, the General Director of Operation, Procurement Manager, and professional staff in the related subject. The committee will recommend the General Director of the actions to be taken.
 - If the historical cost of the disposed asset exceeds \$10,000, the approval of the Board of Directors is a must and should be obtained.
2. The Administrative Department provides the Financial Department with a copy of the approved forms.
3. The Financial and Administrative Manager will review the request and if approved, a committee will be formed by the General Director to approve the disposal.
4. The committee will consist of the Financial and Administrative Manager, an employee of the Administrative Department, and an employee from the department of which the asset will be disposed.

Fixed Assets

5. The Committee should prepare and sign a report of the status and identification of the assets intended to be disposed, reason of disposition, the suggested disposition method, any prospected losses or gains that can result from the disposal transaction, and the committee's recommendation.
6. The report will be submitted to the General Director for final review and approval.
7. The Administrative Department will be responsible for following up on disposing the assets based on the committee's recommendation report and the approval of the General Director and/or the Board of Directors, if needed.
8. The Administrative Department should prepare a fixed disposition report and submit it to the Financial and Administrative Manager when the disposal transaction is complete.
9. The Financial and Administrative Manager will review and approve the disposition report and will submit it to the Accountant to record the disposition transaction.
10. The Accountant should make the following journal entry to record the disposition transaction:

Disposition through sale – Gain:

Dr. Cash	XXXXX
Dr. Accumulated Depreciation	XXXXX
Cr. Fixed Assets	XXXXX
Cr. Gain on sale of fixed assets	XXXXX

Disposition through sale – Loss

Dr. Cash	XXXXX
Dr. Accumulated Depreciation	XXXXX
Dr. Loss on sale of fixed assets	XXXXX
Cr. Fixed Assets	XXXXX

Disposition through- Non cash transaction:

Dr. Accumulated Depreciation	XXXXX
Dr. Loss on Disposal of FA	XXXXX
Cr. Fixed Asset	XXXXX

11. The Senior Accountant should review and post the journal entry and submit it to the Financial Controller for review and approval.
12. The Accountant should attach the approved disposition report to the journal voucher and file it in the journal vouchers accounting file.

Fixed Assets

13. The Senior Accountant should ensure that the disposition of the fixed assets is reflected in the fixed assets register by the Administrative Department. (See the Recording of Fixed Assets into Assets Register Procedures).

IV. Fixed Assets Identification

Purpose

To provide guidelines for the Identification of MDLF fixed assets.

Policy

1. To ensure that each individual asset has a unique identification. An identification number should be assigned and tagged for all fixed assets (other than land, buildings). This tag must have a unique identification number that will be associated with the asset and becomes a part of the asset's record.
2. The identification number will be comprised of four components:
 - Fiscal year of the original acquisition (4 digits);
 - Asset type (1 character letter);
 - Location (i.e. room number); and
 - A sequential number.
3. The Administrative Department will be responsible for tagging fixed assets.

Procedures

1. The Administrative Department is responsible for identifying all MDLF fixed assets with tag labels; and should maintain a list of the used identification codes.
2. A copy of Receiving Reports of newly acquired fixed assets should be maintained by the Administrative Department in order to tag the acquired assets and update the fixed assets register (See Acquisition, Costing & Capitalization of Fixed Assets procedures).
3. Immediately after receiving the fixed assets receiving report, the Administrative Department should prepare tags and stick them to the acquired assets.
4. The Administrative Department should update the fixed assets register, immediately after preparing the identification codes/labels (See Fixed Assets Register and records Procedures).
5. The Financial Controller, semiannually and on a sample basis, should compare between the fixed assets register and the existing fixed assets to ensure the existence of the assets and whether the assets are properly identified/tagged (See Fixed Assets Register and records Procedures and see also Fixed Assets Physical Count and Reconciliation).
6. The Financial Controller should report to the Financial and Administrative Manager on any variances between the register and the count performed.

Fixed Assets

V. Fixed Assets Register and Records

Purpose

To provide guidelines for the maintenance of a fixed assets register and records.

Policy

1. The Administrative Department should maintain an updated fixed assets register that contains:
 - Description of the asset
 - Name of the asset
 - Identification number (tag number)
 - Cost of the asset
 - Date of acquisition
 - Location of use
 - Estimated life and mode of disposal
2. The registering process should be computerized.

Procedures

1. The Administrative Department is responsible for maintaining an updated fixed assets register of the MDLF fixed assets.
2. The Receiving Reports of newly acquired fixed assets should be prepared and maintained by the Administrative Department (See Acquisition, Costing & Capitalization of Fixed Assets procedures).
3. Immediately after preparing the fixed assets receiving report and after preparing the necessary identification codes, the Administrative Department should update the fixed assets register and provide the Financial Department with a copy for review and approval.
4. The Administrative Department should file an updated and approved copy of the register.

Fixed Assets

VI. Fixed Assets Physical Count and Reconciliation

Purpose

To provide guidelines for the periodic physical count and reconciliation of MDLF fixed assets.

Policy

1. The Administrative Department together with the Financial Department are responsible for the periodic physical count of fixed assets.
2. Physical count of fixed assets should be performed annually by a special fixed assets physical count committee.
3. Fixed assets register should be checked and verified by the Financial Department semi-annually and on a sample basis.
4. Fixed assets recorded in the register should match those recorded in the accounting system; and if any deviations, differences should be identified, investigated, properly reported, and resolved.
5. In addition to locating, counting and recording fixed assets, details such as the identification codes/labels, location and status of the assets should be remarked.

Procedures

Semiannual Verifications:

1. The Financial Controller, semiannually, should obtain an updated copy of the fixed assets register from the Administrative Department.
2. The Financial Controller will select a sample of 40-50 fixed asset items and ensure that the selected fixed assets:
 - Exist and in use;
 - Properly maintained;
 - Fixed assets are properly recorded in the register.
3. The Financial Controller should prepare and sign a brief report of the work performed, and should submit it to the Financial and Administrative Manager for review and approval.
4. The report should summarize the work performed by the Financial Controller, and whether there are any deviations.
5. The Financial and Administrative Manager will coordinate with the Administrative Department to investigate and resolve any deviations.

Annual Physical Count:

1. During the Month of December, and before the end of each year, a fixed assets physical count committee should be officially formed by the General Director.
2. The Committee should consist of the Financial Controller, an employee from the Administrative Department, an employee from the Technical or IT Department, and

Fixed Assets

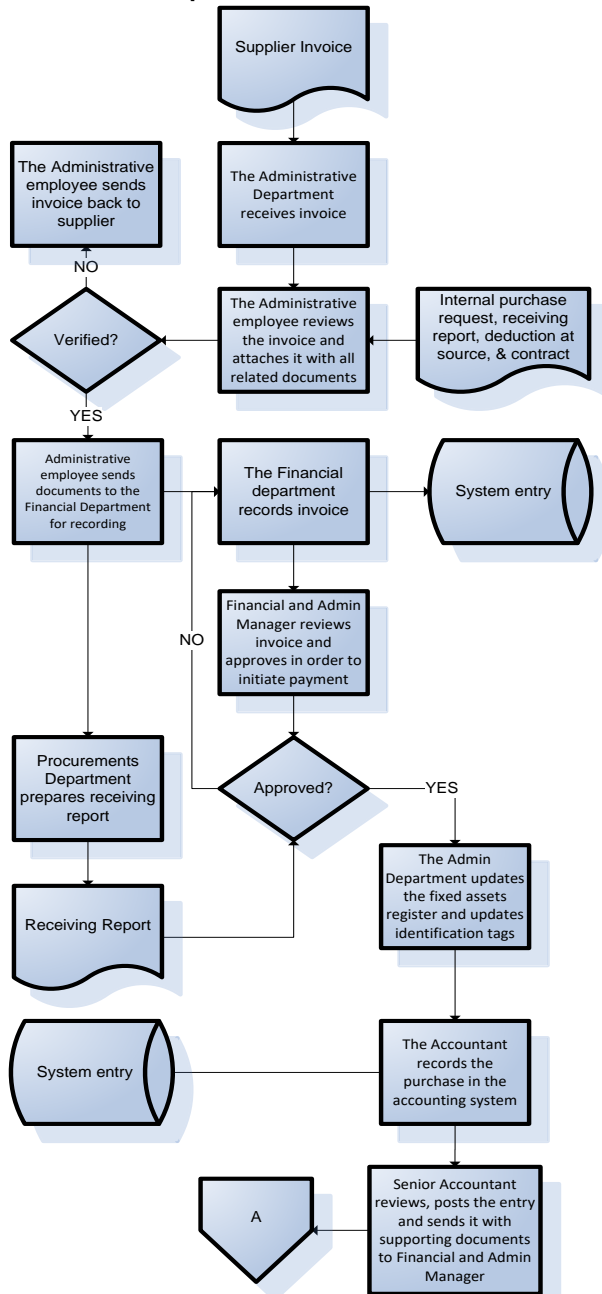
employees from other departments, if required, and the MDLF Internal Auditor and External Auditor.

3. Official invitations for the attendance of the fixed assets physical count should be submitted to the MDLF Internal and External Auditors.
4. The tasks of the Committee should be prepared by the Financial and Administrative Manager and approved by the General Director.
5. The Financial and Administrative Manager should send a copy of the tasks description to every member of the Committee, in order for each member to know the details of the assignment and his/her role in the count.
6. The Financial and Administrative Manager should provide the physical count committee, the Internal Auditor and the External Auditor with a copy of the fixed assets report.
7. The report should include fixed assets items and the quantity of each item.
8. The Committee should record the actual quantity of each fixed asset item, as revealed by the physical count.
9. The Committee should prepare a physical count report, sign it and submit it to the Financial and Administrative Manager for review and approval.
10. The Financial and Administrative Manager should provide the General Director with the fixed assets physical count report for review and approval.
11. The Financial and Administrative Manager should send the report, after being review and approved by the General Director, to the Senior Accountant to prepare necessary adjustments to the fixed assets ledger in the accounting software.
12. The Senior Accountant will prepare necessary adjusting journal vouchers and submit them to the Financial Controller.
13. The Financial Controller should review the journal vouchers, ensure they were executed properly, and sign them.
14. The Financial and Administrative Manager should approve the adjusting journal entries.
15. The approved report and the adjusting journal entries should be filed at the Financial Department in order to be reviewed by the External Auditor.

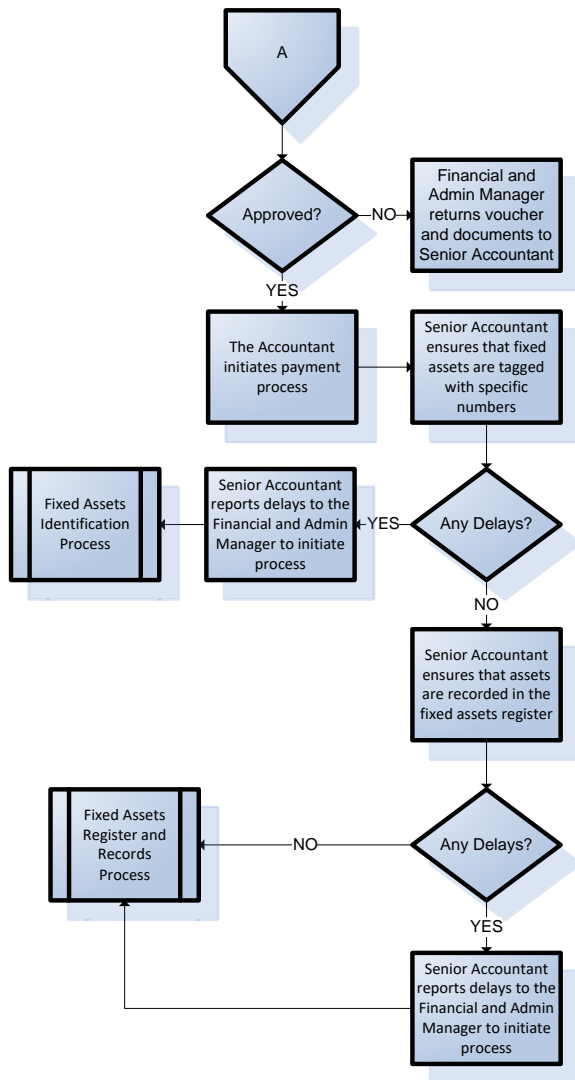
Fixed Assets

Process Maps:

Acquisition of Fixed Assets

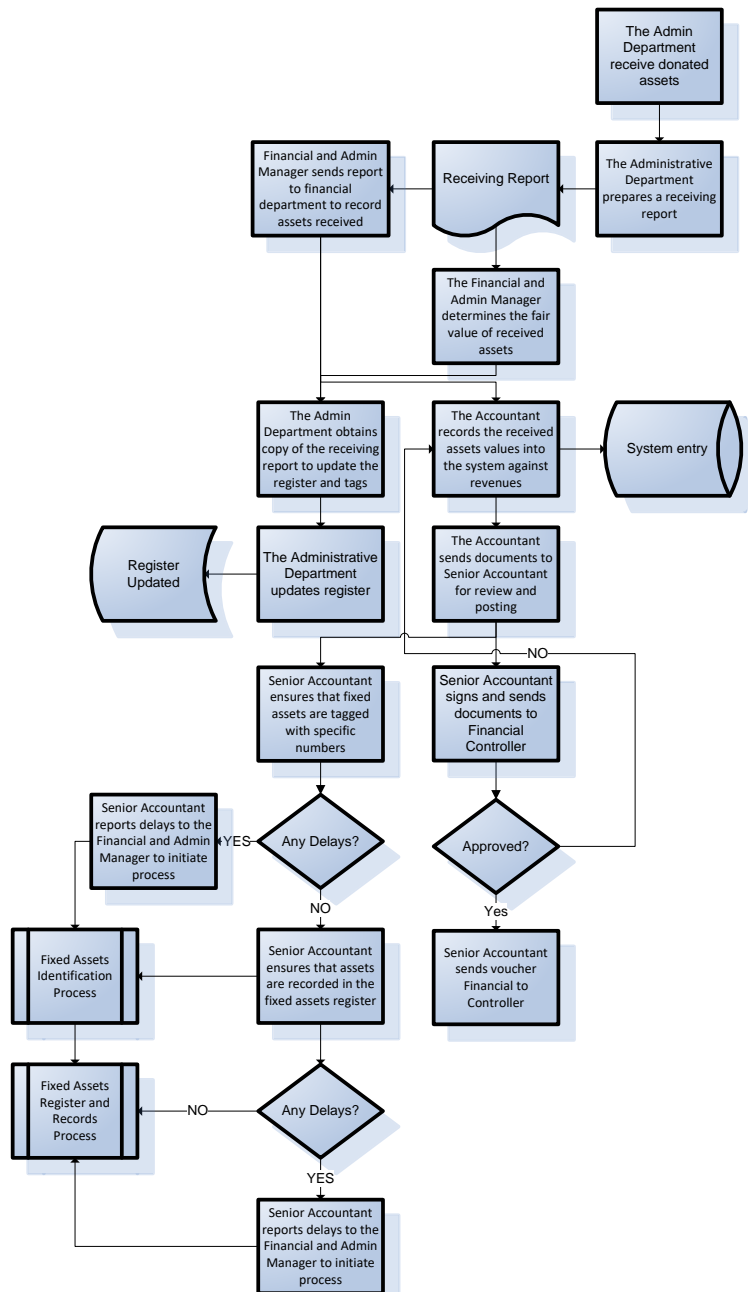


Fixed Assets



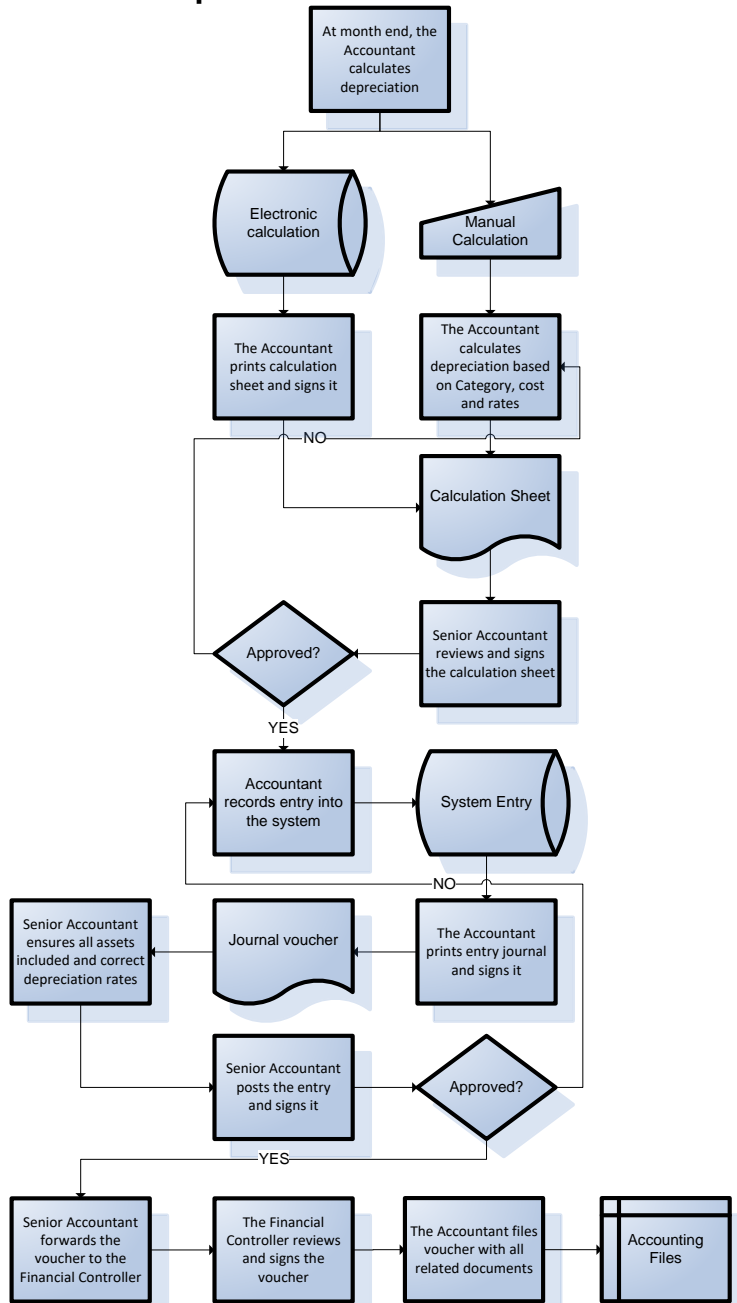
Fixed Assets

Receiving of Donated Fixed Assets



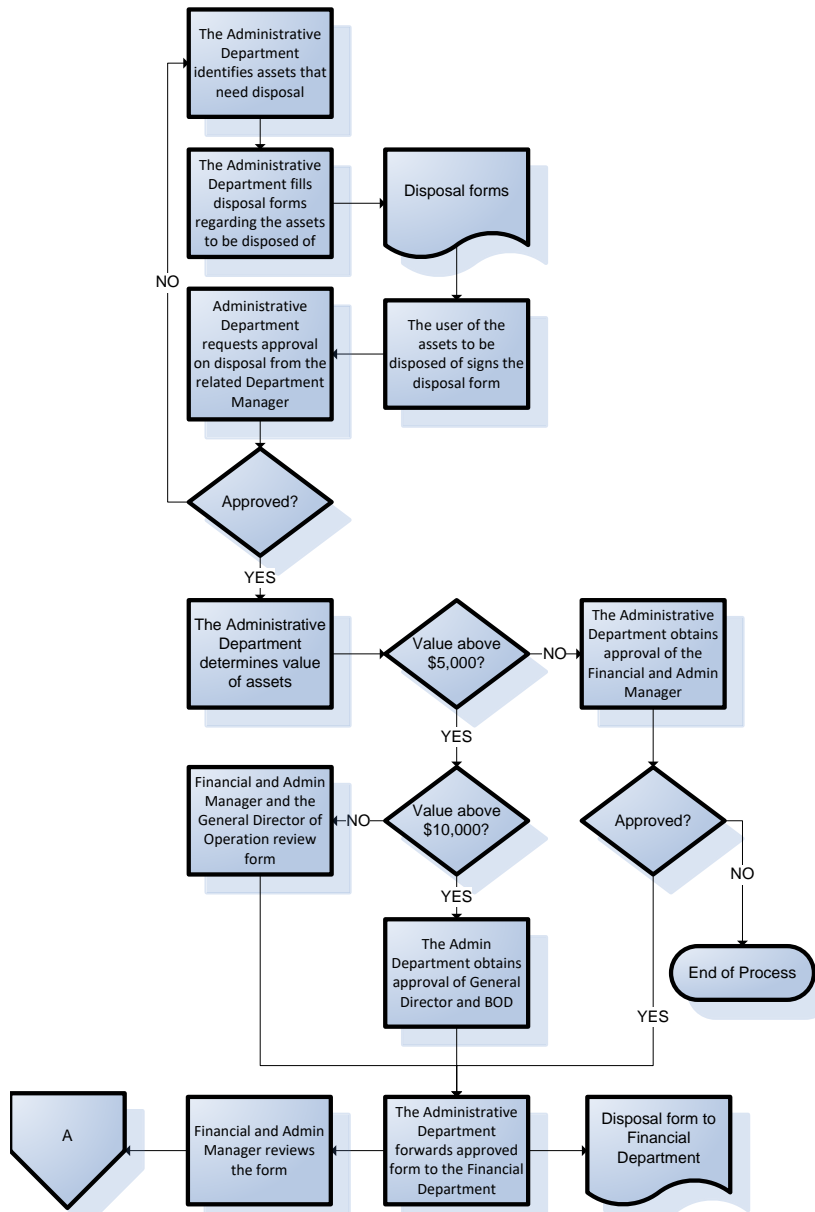
Fixed Assets

Depreciation of Fixed Assets

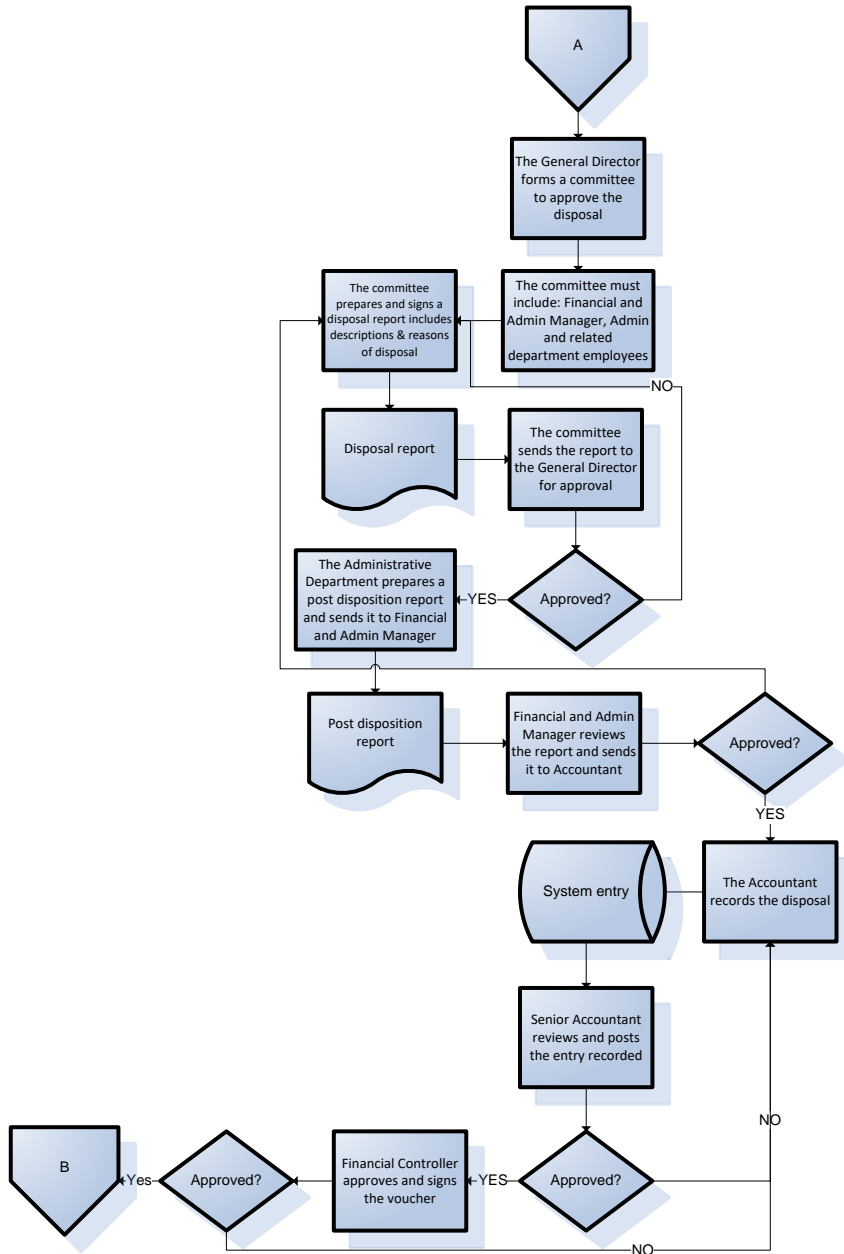


Fixed Assets

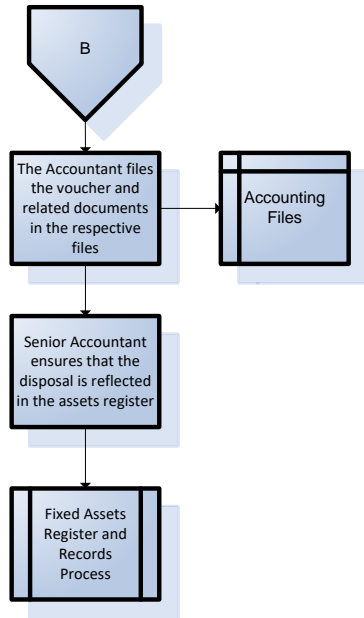
Disposals



Fixed Assets

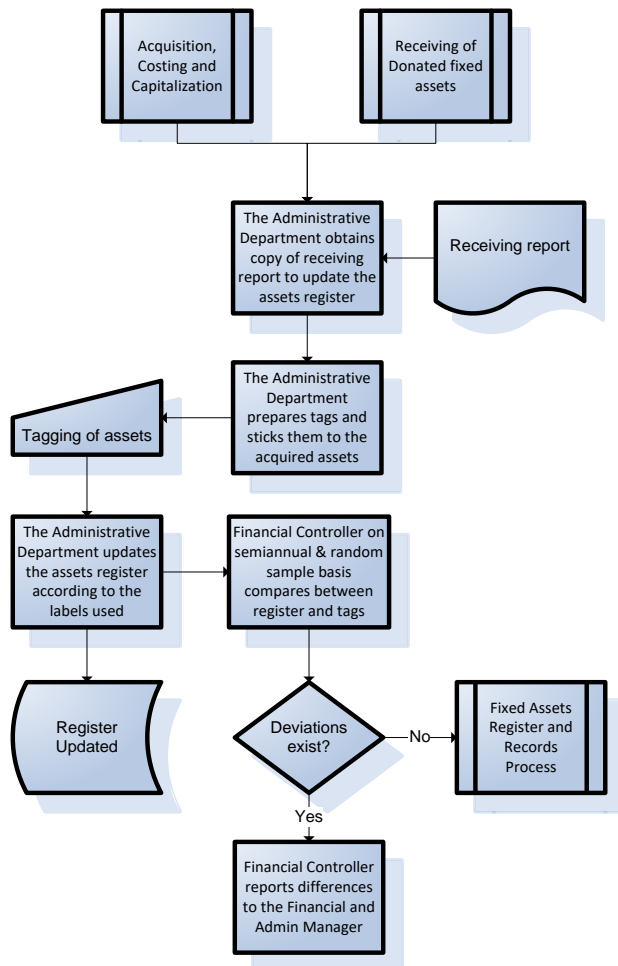


Fixed Assets



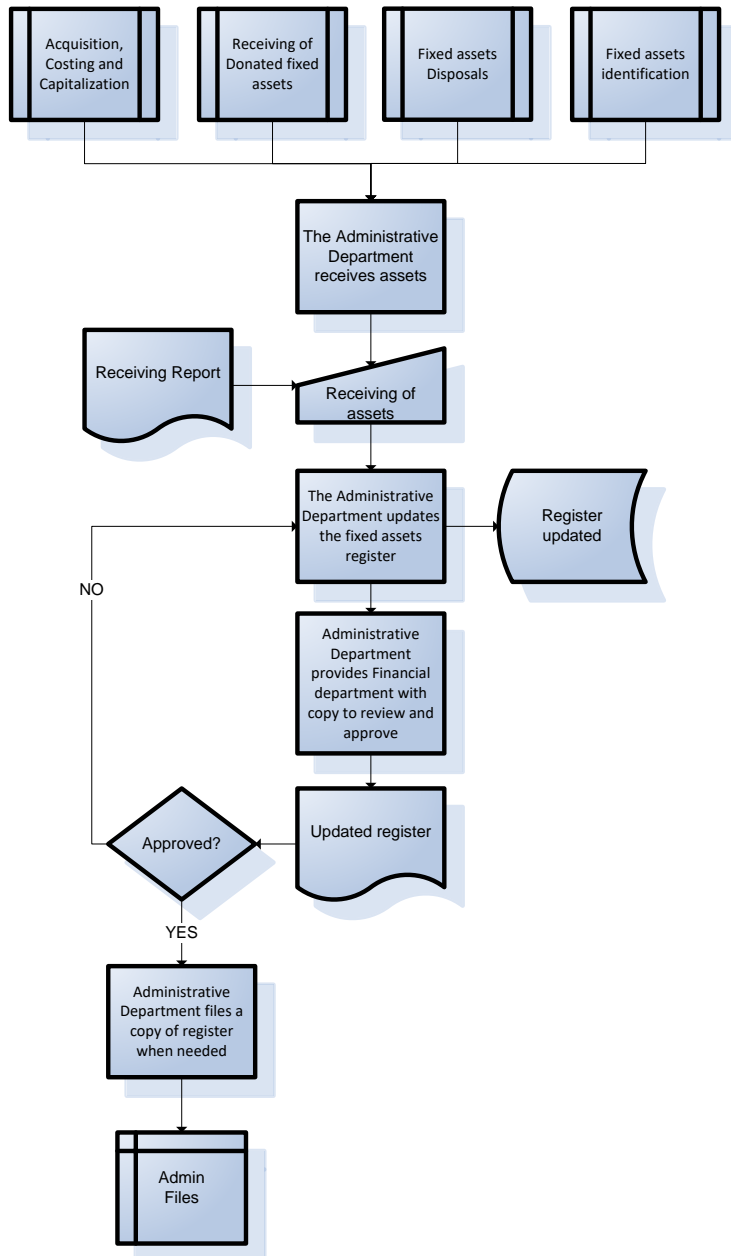
Fixed Assets

Assets Identification



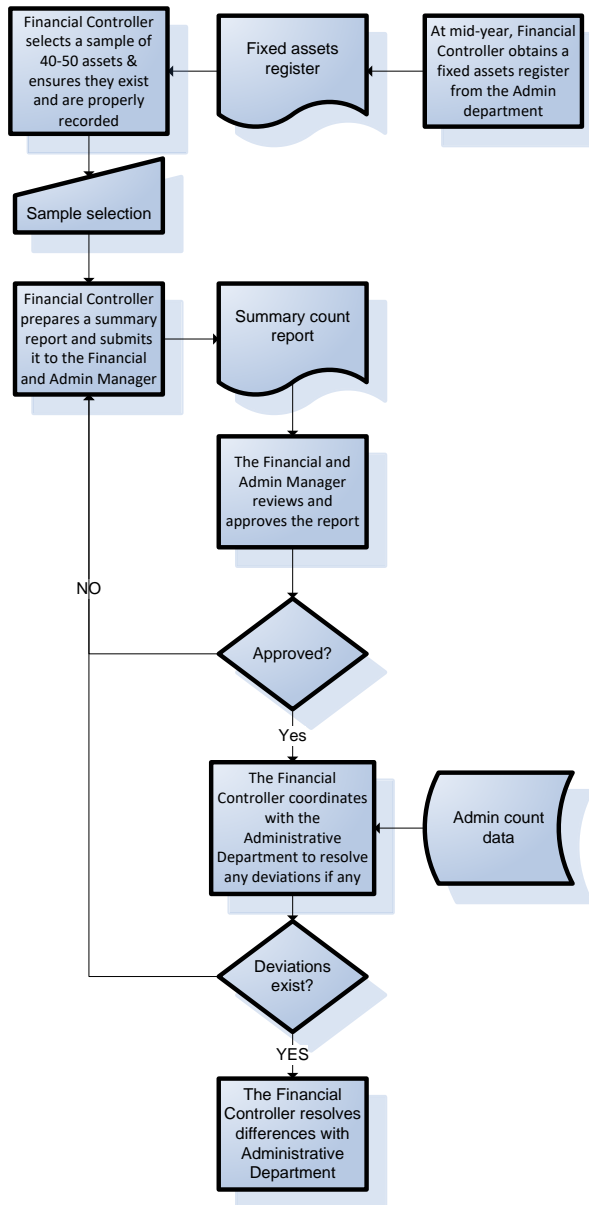
Fixed Assets

Register and Record Assets



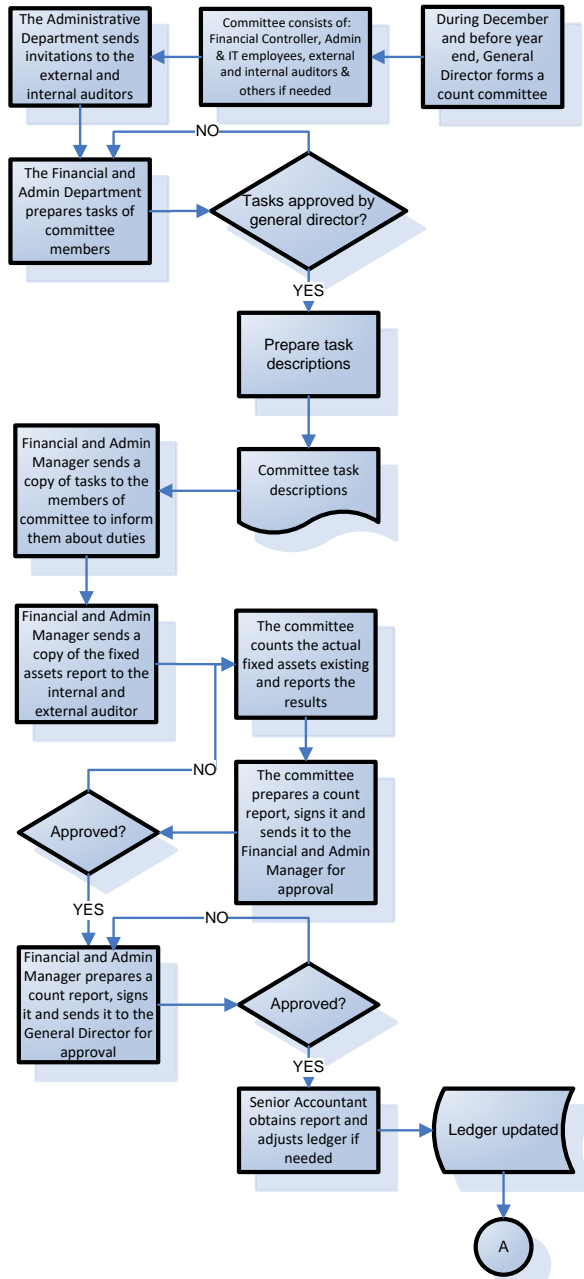
Fixed Assets

Physical Counts and Reconciliations – Semiannual Verification

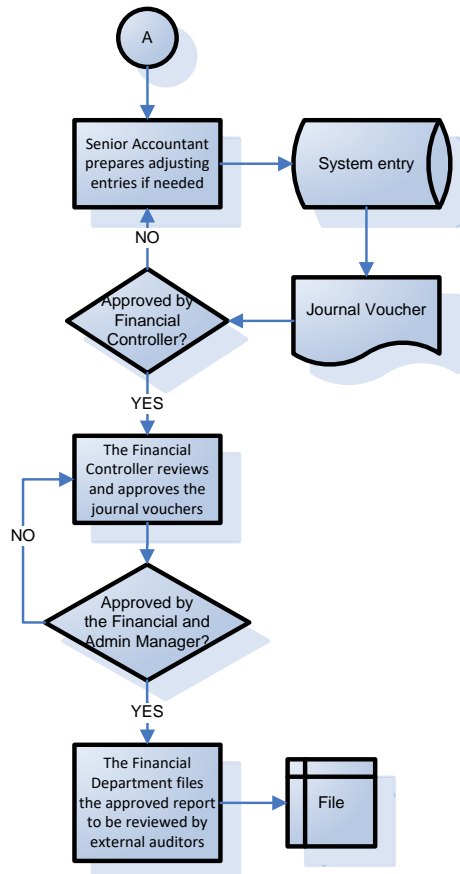


Fixed Assets

Physical Counts and Reconciliations – Annual



Fixed Assets



Payroll

I. Time Keeping and Reporting

Purpose

The purpose of this section is to provide guidelines for timekeeping of MDLF employees' work.

Policy

1. Monitoring and timekeeping of MDLF employees.
2. Employees should sign in and out using the electronic time-keeping machine.
3. The responsibility for supervision and time-keeping functions must be assigned to an employee who is not part of the payroll function at the Department of Administration and Human Resource, and does not take part in the payroll processing, disbursement, or any general ledger functions.
4. All time sheets must be reviewed and approved by the employees' supervisors.
5. The time sheets must indicate hours worked, overtime hours, and other special benefits.
6. The employee supervisor must approve all sick leaves, vacations, holidays, and overtime. A special form must be submitted for approval by the supervisor before vacation is taken.
7. Overtime must be approved before actual working hours, and the approval of overtime is part of the approval of the time sheet.
8. Holidays must be reported on time sheets only; no other form is required to be submitted.
9. Employees must follow management instructions for holidays.
10. Overtime may be required on a periodic basis. Supervisors are responsible for authorizing any overtime and notifying employees of such extra work hours in advance, if possible. A special form should be prepared, signed and submitted to the Department of Administration and Human Resource by the supervisor.

Procedures

1. Employees should sign in and out using the electronic time-keeping machine.
2. The Department of Administration and Human Resource should monitor employees' attendance and leave and update payroll information on the salaries software.
3. The Department of Administration and Human Resource should also monitor employees' vacations, holidays, sick leaves, other types of leaves in addition to their overtime hours and other benefits and should make sure all these are supported with approved forms and accordingly update payroll information on the salaries software.

Payroll

II. Payroll Processing and Payment

Purpose

The purpose of this section is to provide guidelines for MDLF employees' payroll processing and payment and to ensure that payroll processing is accurate and performed on a monthly basis.

Policy

1. The Department of Administration and Human Resource is responsible for preparing the following:
 - Payroll monthly calculation sheet;
 - Payroll wire transfer;
 - Payroll journal entry.
2. Employees' payroll should be paid from MDLF designated bank account.
3. The personnel and payroll data is strictly confidential information and shall be restricted to the authorized persons only.
4. Employees' salaries are considered confidential and should be strictly protected in the Department of Administration and Human Resource files.
5. Employees' salaries are calculated and prepared using the HR system.
6. Payroll processing should start by the 25th day of each month so that salaries are ready for payment by the end of the month. It is prohibited by law to delay the payment of salaries for more than five working days from the due date.
7. Deductions for employees' advances and receivables should be made from payroll. Transactions involving deductions from employees' salaries should be processed promptly and reflected in the monthly payroll.
8. The amount of deduction of employees' advances should be agreed upon with the employee. However, any advances to employees should be covered from employees' salaries within the year in which the advances were made to them.
9. Payroll payment must be supervised by employees who are not responsible for hiring or firing people, employees who do not approve time reports, and employees who do not take part in payroll preparation.
10. If salaries were not paid prior to month's closing, a journal voucher must be prepared to reflect the accrual of salaries. The accrual should be reversed when payroll is paid in the following month.
11. Payroll income tax is to be 100% deducted in accordance to Palestinian Tax Law, and any exemption must be supported with documents (rent contracts, students' certificates, etc.).

Procedures

Record and Transfer of Salaries:

This is section does not refer to the :Commented [MAJ12] process of hiring PMU consultants on the project on an annual contract basis to work on the project (if any)

Commented [EKO13R12]: This is for payroll process for MDLF staff. The process of hiring if any reflected in procurement Manual.

Payroll

1. On the 25th day of each month, the Department of Administration and Human Resource should initiate payroll processing procedures.
2. The Department of Administration and Human Resource should ensure that all required data are properly and completely entered into the salaries software.
3. The system will prepare employees monthly payroll and payroll taxes and will provide for end of service benefit, provident fund and other allowances.
4. A print out of salaries sheets must be prepared. The salaries sheets include all employees' names, I.D. numbers, gross salary, allowances, deductions, and net salary
5. The Department of Administration and Human Resource should submit salaries sheets to the Financial and Administrative Manager for review and approval.
6. After reviewing and approving the salaries sheets, the Department of Administration and Human Resource should prepare the wire transfer.
7. The Department of Administration and Human Resource should prepare the bank wire transfer and send it to authorized signatories for review and approval.
8. Authorized signatories review and sign the transfer.
9. After being signed by the authorized signatories, the wire transfer should be sent to the bank in order to be executed.
10. A copy of the wire transfer should be submitted to the Financial and Administrative Manager.
11. The Financial and Administrative Manager submits the wire transfer to the Administrative Department and Human resource to proceed with the process.
12. The Administrative Department posts the entry from the salaries software to the accounting software automatically. The following journal is automatically created into the accounting software as follows:

Dr. Salaries Expense	xxxxx	
Dr. End of Service Benefit Expense	xxxxx	
Dr. Provident Fund Expense	xxxxx	
Dr. Family Allowances expense	xxxxx	
Dr. Transportation Expense	xxxxx	
	Cr. Bank	xxxxx
	Cr. Tax Payable	xxxxx
	Cr. Provision for End of Service	xxxxx
	Cr. Provision for Provident Fund	xxxxx
	Cr. Employees Advances	xxxxx

13. Salaries documents should be sent to the Senior Accountant in order to review and post the journal entry to payroll ledger.
14. The Senior Accountant should print out the payroll journal voucher and obtain the approval of the Financial and Administrative Manager.
15. The Accountant should file the voucher in the payment vouchers file.

Record and Transfer of Payroll Tax:

1. The Senior Accountant should prepare the payroll tax slip, the payment order and the bank check.

Payroll

2. The payment order and the check should be submitted to the authorized signatories for their review and signature.
3. After being signed, a copy of the signed check should be maintained at the Financial Department.
4. The check should be deposited in the Tax Authorities' bank account and a Deposit Slip should be obtained from the bank.
5. The Deposit Slip and the Tax Slip should be submitted to Tax Authorities in order to stamp the Tax Slip for clearance.
6. The Stamped Tax Slip should be submitted to the Accountant in order to be recorded.
7. The Accountant will prepare the following journal entry:

<p style="text-align: center;">Dr. Tax Payable xxxxx Cr. Bank xxxxx</p>

8. The Senior Accountant should post the journal entry into the accounting system.
9. The Financial Controller should review and approve the payment voucher.
10. The Accountant should file the payment voucher, attached to a copy of the check and the Stamped Tax Slip.

Payroll

III. End-of-Service Benefit

Purpose

The purpose of this section is to provide guidelines for calculation, processing, and payment of MDLF employees' end of service.

Policy

1. End of service benefits should be computed and recorded monthly.
2. MDLF employees become vested in the end-of-service benefit plan upon completion of 12 months employment with the institution.
3. MDLF starts computing and recording end-of-service benefit of new employees after the probation period of those employees.
4. Any employee who works more than 12 months is entitled to end-of-service benefits.
5. The MDLF is to maintain a separate bank account for end-of-service contributions, after obtaining the approval of MDLF Board of Directors.

Procedures

Calculating and Recording of the End-of-Service Benefit

1. The Department of Administration and Human Resource is responsible for calculating and recording employees' end of service benefits.
2. The end-of-service benefits must be calculated based on the number of actual years worked with the MDLF, at the end of each month, and the last salary paid to the employee excluding overtime. The difference between the balance in the provision of the current month and the previous month is the end-of-service benefit expense for the current month.
3. The end-of-service benefit should be calculated together with the salaries and they should be reviewed and approved by the Financial and Administrative Manager.
4. The Financial and Administrative Manager approves the calculation sheet and reviews it to make sure that salaries on the salaries sheet are consistent with salaries recorded in the calculation sheet, and that employees on both schedules are the same, except for the newly assigned employees who have been working for less than one year.
5. The end-of-service benefit is recognized and recorded together with the monthly salaries on the salaries software (See Payroll Processing and Payment Procedures)
6. If the MDLF has separate bank account for the end-of-service benefit, the Accountant should prepare a payment order to transfer the amount from MDLF bank account to the end-of-service bank account. The payment order should be prepared and approved; and the following entry should be made after the transfer takes place:

Dr. ESB Bank Account	xxxxx
Cr. MDLF Main Bank Account	xxxxx

7. The Senior Accountant should approve and post the journal voucher.

Based on our recent discussion :Commented [MAJ14] Severance/EOSB are considered ineligible expenditures and require special approval to be funded from project funds, this needs to be documented and explained in this section

Commented [EKO15R14]: This section is related to MDLF in general. Any other arrangements, please see Annex 1

Payroll

End-of -Service Payments

1. An employee shall submit a one-month notice of resignation before ending his/her services and to be entitled to his/her rights.
2. After the resignation is approved by the employee's supervisor, a copy is sent to the Department of Administration and Human Resource to begin the processing of the transaction.
3. The Department of Administration and Human Resource shall review the employee's file for any unrecorded sick leaves, or unpaid vacations, and prepare the calculation of the end of service benefits taking into consideration fractions of years worked.
4. If the employee has any other unpaid benefits, such as vacation or unpaid salaries, they should be calculated and summed up with the calculated end of service benefit.
5. The Department of Administration and Human Resources should ask the employee to hand over anything that belongs to the MDLF.
6. The Department of Administration and Human Resource should prepare an end-of-service settlement letter which indicates that the employee has handed over anything that belongs to the institution, and that he has received all his benefits and he does not have any claims against the MDLF.
7. The documentation (the calculation sheet and the end of service settlement letter) to be sent with the employee file to the Financial and Administrative Manager for review and approval.
8. The Financial and Administrative Manager sends the calculation after reviewing and revising it to the Accountant in order to prepare the journal entry and the payment.
9. The Accountant should prepare a payment order to transfer the amount to the employee's bank account and should send the payment order to be approved by the authorized signatories.
10. The Accountant should make the following entry, after the transfer takes place:

Dr. Provision for ESB	xxxxx
Cr. Bank	xxxxx

11. The documents are returned back to the Financial and Administrative Manager for authorization of the transaction, and posting it to the system.
12. The Accountant should file the journal vouchers properly in the accounting files.
13. See annex 1 for any arrangement related to World Bank.

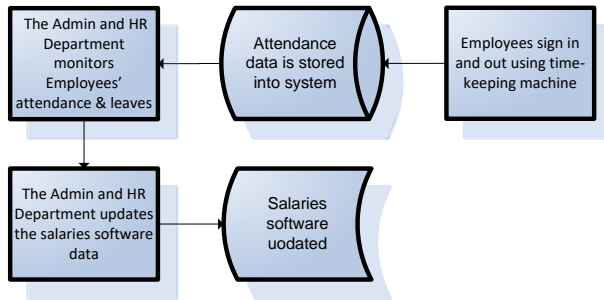
See comment above :Commented [MAJ16]

Commented [EKO17R16]: Same above

Payroll

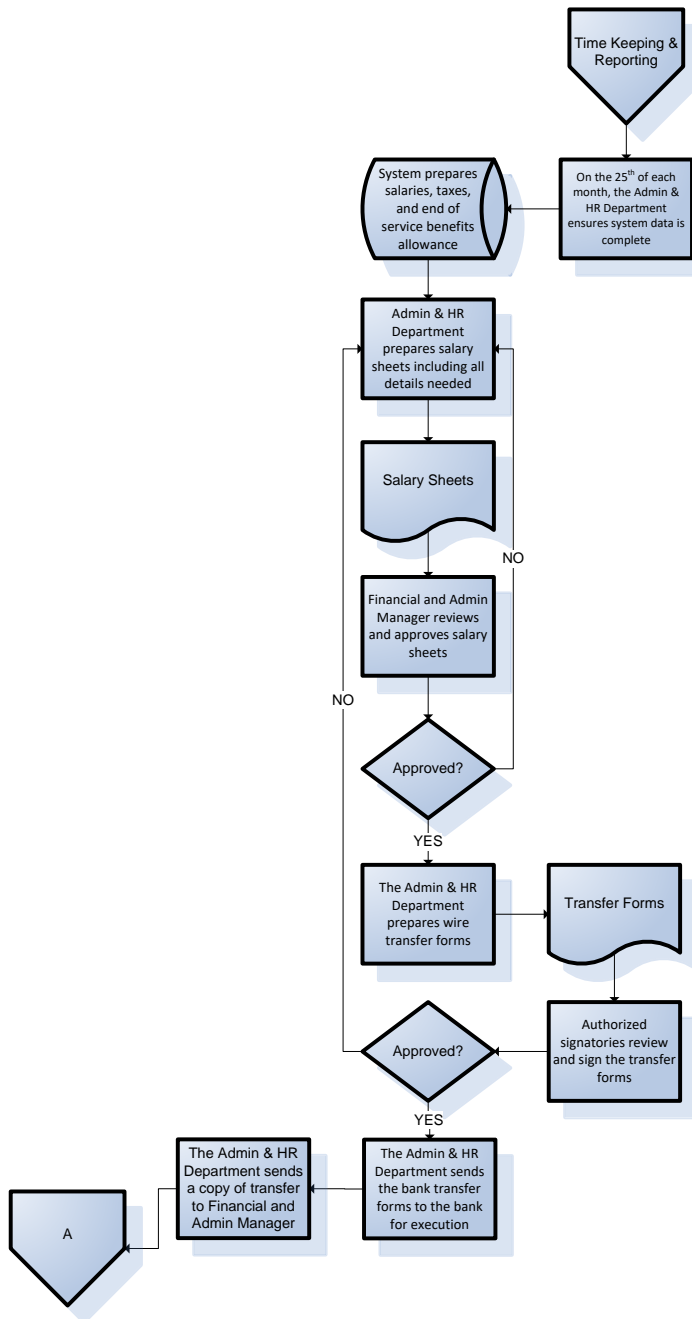
Process Maps:

Time Keeping and Reporting

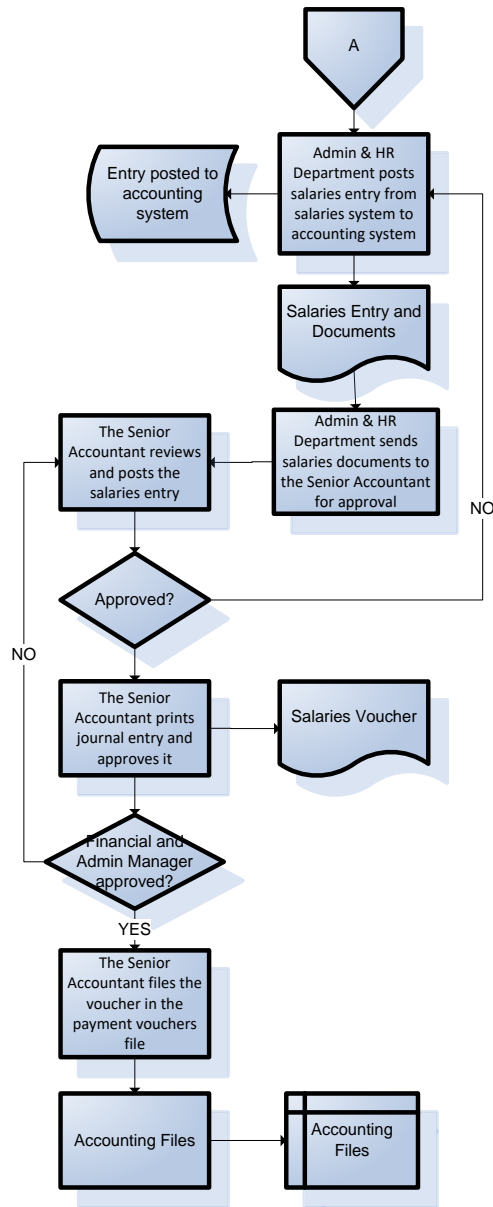


Payroll

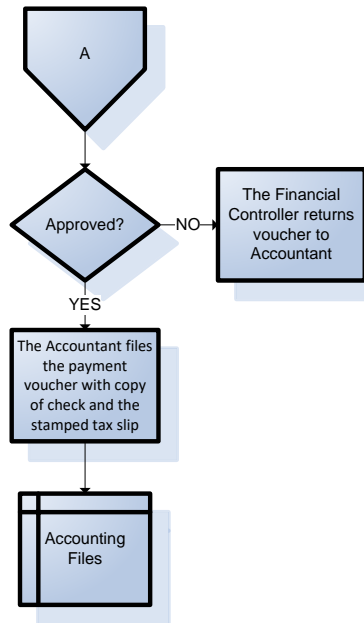
Payroll Processing and Payment



Payroll

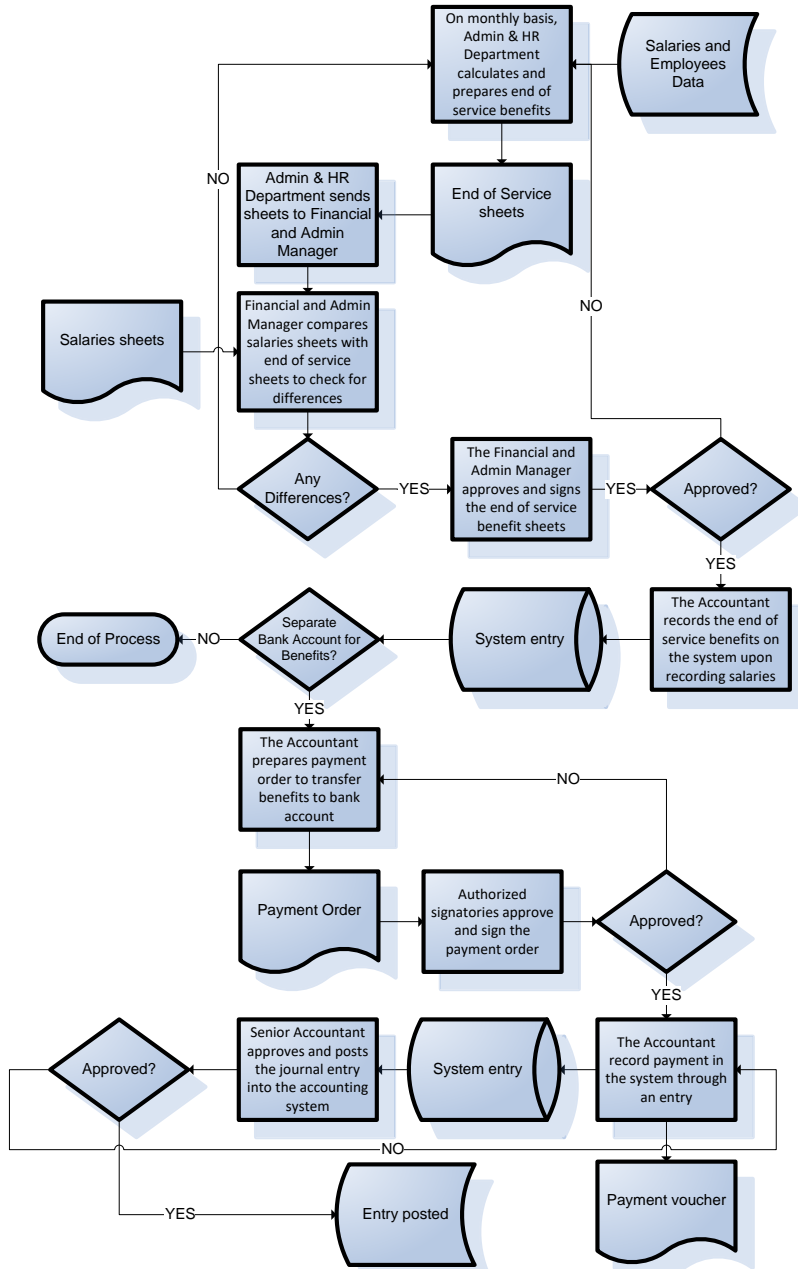


Payroll



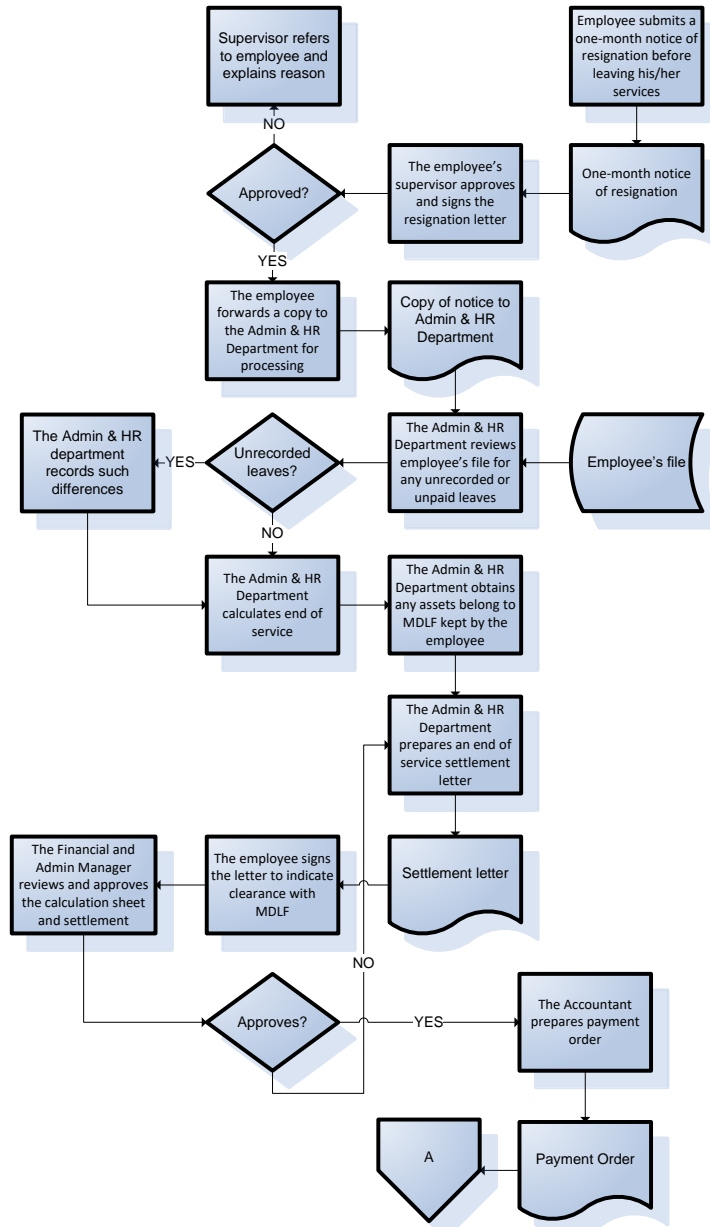
Payroll

Recording End of Service Benefits

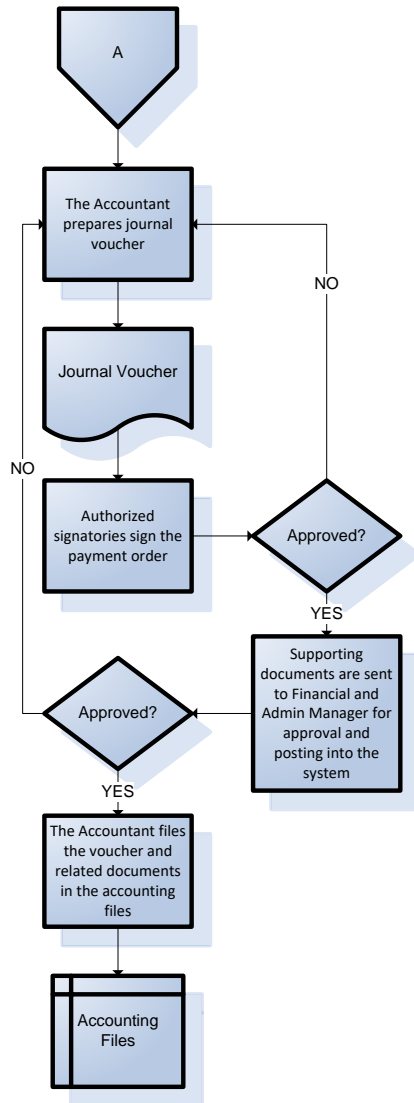


Payroll

Payment of End of Service Benefits



Payroll



Closing

Closing Accounts

Purpose

1. The purpose of this section is to set guidelines for the closing of the accounting books.
2. This policy establishes the standards and procedures for ensuring that the MDLF accounts for monthly accruals in compliance with management's objectives and IFRS.
3. The purpose of monthly accrual procedures is to allocate Expenditures to the proper accounting period and match Expenditures with related revenues and budgets. At the close of each month, accrual procedures are needed to ensure that all Expenditures and revenues related to that month are properly included in the fund's Financial Statements. Accrual process shall be accomplished in a timely and accurate manner and must be in compliance with all applicable financial and accounting standards.

Policy

General

1. A timetable exists for completion and confirmation of input and adjustments which allows for the production of financial and management accounts on a timely basis.
2. The Financial and Administrative Manager is responsible for the maintenance of the monthly closing and for capturing all non-routine issues and tracks the amounts and the necessary accounting treatment.

Monthly Closing

1. The Financial Department shall close books on a monthly basis, no later than five business days following the end of the month.
2. The closing process prevents any person from entering a transaction dated in the previous period, so any related party to data entry shall make sure that all transactions were recorded in the system before the end of five business days of the following month.
3. The Senior Accountant shall make sure that all saved transactions were posted before the start of the closing process.
4. In case the Financial and Administrative Manager approves the opening of the closed month, the month shall be opened and immediately closed after posting the entry.

Year End Closing

1. Year-end closing shall be no later than 30 days after the end of the financial year.
2. The year-end closing shall be performed in two stages: the first stage at the end of year, as a temporary closing, and; the second stage after reopening the software for the purpose of entering adjusting journal entries, and then closing the year to roll over.
3. Backup of all the information shall be performed before performing any monthly or annual closing.
4. The Senior Accountant shall review the valuation of reserves or other account balances based on estimates, and these reserves shall be approved by the Financial and Administrative Manager before the closing process take place.

Closing

5. All adjusting entries shall be made by Accountants, reviewed by the Senior Accountant and the Financial Controller, and approved by the Financial and Administrative Manager before being posted to the system.
6. Each account shall be examined, with the balance verified with reference to supporting schedules.

Procedures

1. On the 1st business day following the end of the month, the Senior Accountant should review and post all approved but not posted entries from the previous month.
2. On the 2nd business day following the end of the month, the Senior Accountant should determine whether any accruals should be made. In determining what accruals should be made, the following should be considered:
 - Prior month accruals and new agreements that need accruals.
 - The Expenditures must have been incurred during the month being closed; that is, the product or service must have been received on or before the last day of the month in order to qualify as an expense. Even though an expense may have originally been budgeted in the month, it does not qualify for accrual unless the product or service was actually received by the MDLF.
 - Payroll taxes withheld shall be recorded at the time of the related payroll. Other Payroll withholding should be recorded when the related payroll is recorded.
 - If payment is due prior to performance, the amount should be accrued to Prepaid Expenses.
 - Depreciation should be monthly recorded.
 - Foreign exchange losses and gains.
3. If accruals are to be made, the Accountant should record the accruals into the accounting system by the end of the 3rd day, for the accrual to be recorded prior to the deadline for closing the books for the month.
4. All recorded journal entries must be approved by the Senior Accountant, and then delivered with the ledgers and the trial balance to the Financial Controller and Financial and Administrative Manager for approval,
5. The Financial Controller should perform the following procedures, before submitting the reports to the Financial and Administrative Manager:
 - Confirm significant balances with third parties.
 - Reconcile general ledger balances regularly to subsidiary ledger balances.
 - Compare journal entry activity reports periodically to supporting documentation.
 - Perform a one-to-one check of the listing of recurring period end closing entries/adjustments to the journal entries actually recorded to validate completeness.
 - Ensure that all nonrecurring period end closing entries/ adjustments entered into the accounting system are compared via a one-to-one check of post-input/update reports to information contained in the source documents to verify the completeness and accuracy of all critical field data.

Closing

- Ensure that all recurring and nonrecurring closing adjustments are approved by the appropriate level of management and compared to source documents to verify the documentation is adequate and sufficient.
 - Compare recorded amounts to predicted amounts or subsequent transactions.
 - Compare recorded balances and activity periodically to outside sources of information.
 - Review substantiation procedures to ensure that they are proper and functioning as designed.
6. Upon Financial and Administrative Manager approval, the Senior Accountant should post the adjusting entries and close the month in the system before the end of the fifth day of the month,
 7. Any entries to be recorded after closing the month should be approved by the Financial and Administrative Manager. One exception is for recording the adjusting and reclassification entries proposed by the auditors after the year end, according to the policy above.
 8. After monthly and year-end closing, the Accountant should print out two copies of the following reports from the system (no need to format), one copy should be filed as reference for later years and another copy should be sent to the Budgeting and Financial Planning Specialist. These reports shall include but are not limited to the following:
 - Adjusted Trial Balances
 - General Ledger
 - Balance Sheet
 - Income Statement
 - Cash Flow Statement
 - Adjusting Journal Entries
 - Reconciliations,
 9. The Budgeting and Financial Planning Specialist should perform the following:
 - a. Ensure that all balances subject to evaluation are reviewed quarterly to determine any necessary adjustments.
 - b. Analyze key ratios, trends, and variances periodically to determine required provisions for losses, accounts to be written-off, and additional valuation allowances.
 - c. Review provisions, write-offs, and additional valuation allowances.
 - d. Use reliable external sources to help with valuations where appropriate.
 - e. Review methods and formulas used for realization, accruals, and write-offs periodically for accuracy and current applicability.
 - f. Review all significant asset accounts at least annually to ensure recorded balances do not exceed net realizable values.
 - g. Report results to the Financial and Administrative Manager, who will report to the MDLF General Director.

Closing

Annex:

The timetable should be distributed to all appropriate staff and referred to, as follows:

Procedure	Prepared by	Approved by	Deadline – Day of month
Determine needed entries	Accountant	None	Day 1
Record closing entries	Accountant	Senior Accountant	Day 2
Review entries	Financial Controller	Financial and Administrative Manager	Day 3
Post approved entries	Senior Accountant	Financial and Administrative Manager	Day 4
Print and file reports	Accountant	None	Day 5
Analyze reports	Budgeting & Financial Planning	General Director	Day 15

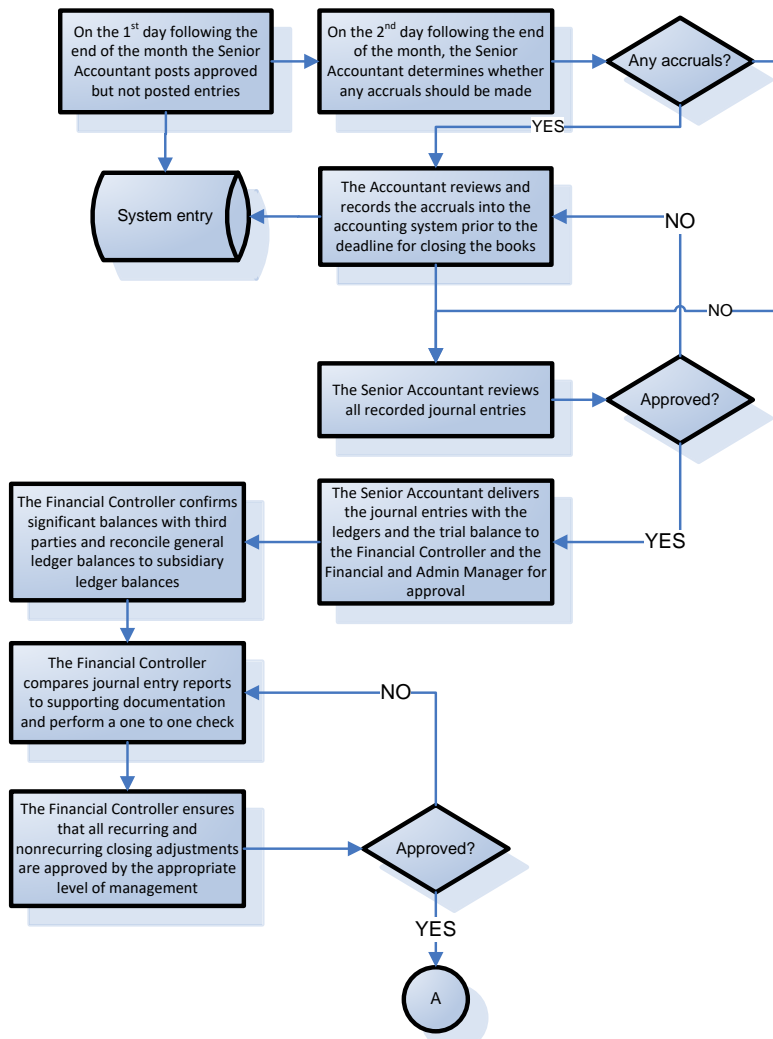
Reconciliation that shall be performed:

Reconciliation	Monthly	Quarterly	Semi- Annually	Annually
Bank reconciliation	✓			
Revenue account reconciliation	✓	✓	✓	✓
Expense account reconciliation	✓	✓	✓	✓
Projects-in-progress account reconciliation	✓	✓	✓	✓
Accounts payable balances reconciliation	✓	✓	✓	✓
Balances of employees' allowances reconciliation	✓	✓	✓	✓
All other balance sheet account reconciliation	✓	✓	✓	✓
Petty cash reconciliation	✓	✓	✓	✓

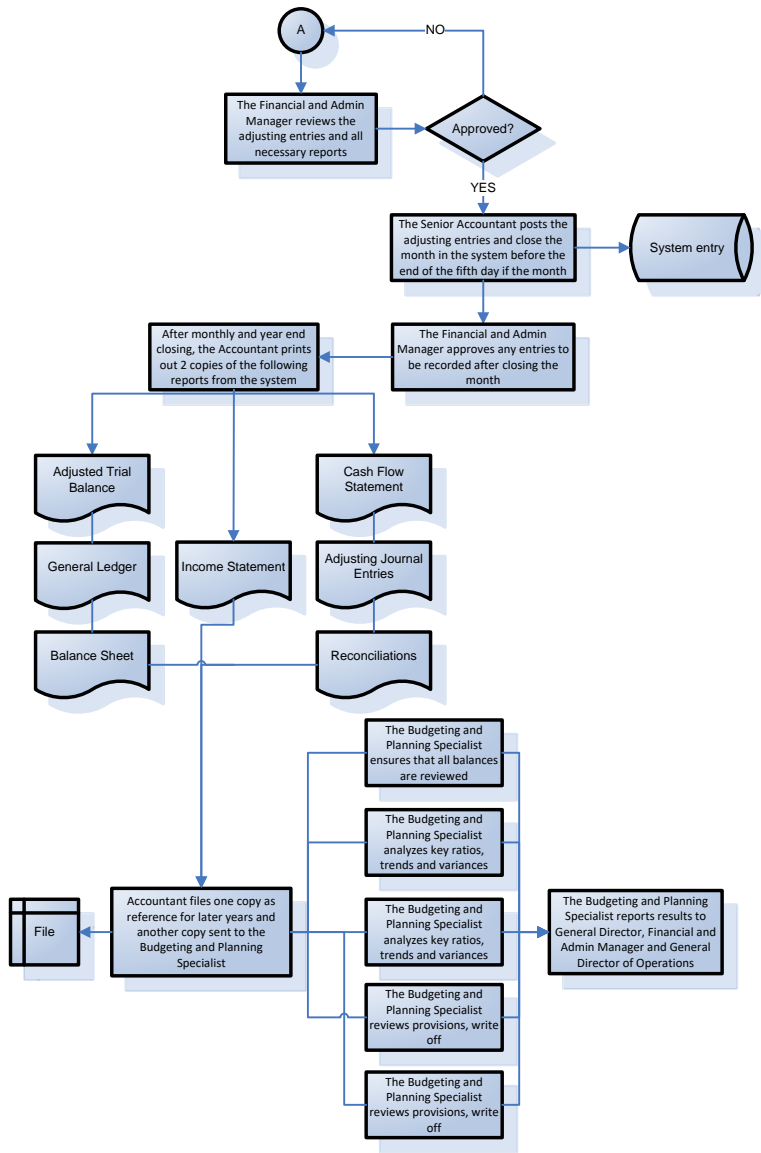
Closing

Process Maps:

Closing the Accounts



Closing



Reporting

It is the policy of the MDLF to report on its financial operations and condition fully and forthrightly, on a regular basis, promptly, and following the letter and spirit of accounting principles it has adopted. Further, it is the policy of the MDLF to present financial information in a form that is useful to its stakeholders.

Reporting

Purpose

To provide a consistent reporting of financial information to stakeholders

Policy

1. Financial information is to be provided on a timely basis using a consistent format.
2. Financial statements are a structured representation of the financial position of and the transactions undertaken by the MDLF. The objectives of financial reporting are to provide information useful for decision making by the MDLF and its stakeholders and to demonstrate the accountability of the MDLF for the resources entrusted to it.
3. The Financial Statements accomplish these objectives in the following manner:
 - Providing information about the sources, allocation and uses of financial resources.
 - Providing information about how the entity financed its activities and met its cash requirements.
 - Providing information that is useful in evaluating the MDLF's ability to finance its activities and to meet its liabilities and commitments.
 - Providing information about the financial condition of the MDLF and changes in it.
 - Providing aggregate information useful in evaluating the MDLF's performance in terms of service costs, efficiency and accomplishments.
4. The preparation and presentation of the Financial Statements is the responsibility of the Financial Department. The Senior Accountant prepares the Financial Statements, the Financial Controller performs the first review, and the Financial and Administrative Manager will have the responsibility for final review and approval of them. Financial Statements must be approved by the General Director before disclosing them.
5. The Financial Statements are to be prepared in accordance with the International Financial Reporting Standards (IFRS).
6. The Financial Statements should be clearly identified and distinguished from other information in the same published document.
7. The usefulness of the Financial Statements is impaired if they are not made available to users within a reasonable period after the reporting date.

Procedures

Following is a list of the items required in a financial package:

Reporting

(a) semi annual Interim Financial Reports:

- The quarterly interim financial reports:
 - Should be prepared four times as of and for the period ended, June 30, , and December 31.
 - Should be prepared by the Senior Accountant, reviewed by the Financial Controller, and approved by the Financial and Administrative Manager and the General Director.
 - Should be reviewed by independent private and qualified auditors acceptable to the Donors. The auditor should issue negative assurance review report in accordance to ISA.
- Reports should be ready for audit within one week from the end of period: April 10, July 10, and October 10, and January 10.
- Should be submitted by the auditors to donors after 45 days from end of each quarter.

(b) Annual Audits of Programme Consolidated Financial Statements

- The consolidated Financial Statements:
 - Should be prepared at the end of each fiscal year.
 - Should be prepared by the Senior Accountant, reviewed by the Financial Controller, and approved by the Financial and Administrative Manager and the General Director.
 - Should be audited by independent private and qualified auditors acceptable to the Donors. The external audit report should encompass all activities under the programme grant agreements, be in accordance with the Bank's auditing requirements and be conducted according to International Standards on Auditing.
 - The audit should be performed in accordance to the Terms of Reference (TOR) in Annex.
- Reports should be ready for audit within one month from the end of the fiscal year, and the auditors report should be completed and submitted to donors within six months from the end of the fiscal year.
- The audited Programme Consolidated Financial Statements accompanied with auditors' management letter will be submitted to the Donors within six months after the end of each fiscal year.
- Should include the following:
 - I. A complete set of Financial Statements includes the following components:
 - i. Statement of Financial Position
Statement of financial position is a financial statement that reports an organization's assets and the claims against them - liabilities and net

Reporting

assets - at a set date noted on the statement (Also called the balance sheet)

ii. Statement of Financial Performance

Statement of Financial Performance is a financial statement that reports the results of an organization's business operations (revenue and expenses) for a set period, usually one year (Also called an Earnings Report, Income Statement, Statement of Income, and Statement of Operations)

iii. Cash Flow Statement

Cash flow statement is a financial statement that reports the flow of cash in and out of the organization for a set period, usually one year. It reports the operating activities, investing activities and financing activities of the organization.

iv. Statement of Changes In Net Assets/Equity

Statement of Changes in net assets/equity is a financial statement that reports the changes and movements that took place on net assets last year ending balance.

v. Accounting Policies and Notes to The Financial Statements.

II. The annual Programme Financial Statements should include the following:

- i. A Statement of Sources and Uses of funds (by Grant Category / by Activity showing Bank and Counterpart Funds separately);
- ii. Statement of Cash Position for Programme Funds from all sources;
- iii. Statements reconciling the balances on the various bank accounts (including Bank Dedicated Account) to the bank balances shown on the Statement of Sources and Uses of funds;
- iv. Withdrawal Schedule - Bank Grant listing individual withdrawal applications relating to disbursements by the IFR Method, by reference number, date and amount and;
- v. The Notes to the Financial Statements for the significant accounting policies and all other relevant information

(c) Budget Variance Analysis:

- Should be prepared twice a year

Semi-annual as of June, 30 and ;.

At The third Quarter ended September 30.

The Variance Report generated in the third Quarter should be contains Forecasted expenditures of the fourth Quarter of the Year and presented for the board of the Directors for possible budget reallocation and further analysis

- Should be prepared by the Senior Accountant, reviewed by the Financial Controller, and approved by the Financial and Administrative Manager and the General Director.

Reporting

- Reports should be ready within one fifteen days from the end of month,

Reporting

Annexes:

ANNEX A- Interim Financial Reports (IFRs)

1. Sources and Uses of Funds

**Municipal Development Program
Sources & Uses of Funds (World Bank)**

For the Period from to

Description	cumulative Prior period			Current period (1/1/20xx-31/03/20xx)			Forecast for coming Six Months
	Planed	Actual	Variance	Planed	Actual	Variance	
Opening Balance from Last Quarter							
Sources of Funds (World Bank MDP)							
Total Sources of Fund							
Less Uses of Funds							
<i>Category 1</i> : Municipal Grants for Capital Investments							
Recurrent Expenditures for Gaza Municipalities (*1)							
<i>Category 2</i> :Support to Municipal Innovations and Efficiency							
<i>Category 3</i> :Capacity Building							
<i>Category 4</i> :(a) Consultants' services, goods, audit							
(b) MDLF Management Fee							
Total uses of Funds							
Excess of Sources over Uses of Funds							
Add Current Liabilities							
Due to Municipalities							

Reporting

3. Municipality Disbursement by Sub-Projects - World Bank

Municipal Development Program Municipality Disbursement by Sub-Projects - World Bank

Category 1 : Municipal Grants for Capital Investments

Nablus										
NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1			WB	100%						
2			WB	100%						
3			WB	100%						
4			WB	100%						
5			WB	100%						
6			WB	100%						
Total					0.00	0.00	0.00	0.00	0.00	0.00
Qalqilya										
NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1				100%						
2				100%						
3				100%						
Total					0.00	0.00	0.00	0.00	0.00	0.00
Jericho										
NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1				100%						
2				100%						
3				100%						
Total					0.00	0.00	0.00	0.00	0.00	0.00
Bethlehem										

Reporting

NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1				100%						
2				100%						
3				100%						
4				100%						
5				100%						
Total					0.00	0.00	0.00	0.00	0.00	0.00
Tubas										
NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1				100%						
2				100%						
3				100%						
Total					0.00	0.00	0.00	0.00	0.00	0.00
Jenin										
NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1				100%						
2				100%						
3				100%						
4										
Total					0.00	0.00	0.00	0.00	0.00	0.00
Hebron										
NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1				100%						
2				100%						

Reporting

3				100%						
4				100%						
5				100%						
6				100%						
7										
Total					0.00	0.00	0.00	0.00	0.00	0.00

Ramallah

NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1				100%						
2				100%						
3				100%						
Total					0.00	0.00	0.00	0.00	0.00	0.00

Tulkarm

NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1				100%		-				
2				100%		-				
3				100%		-				
4				100%						
5				100%						
Total					0.00	0.00	0.00	0.00	0.00	0.00

Al-beirh

NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1				100%						
2				100%						
3				100%						
4				100%						
Total					0.00	0.00	0.00	0.00	0.00	0.00

Reporting

Salfet										
NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1				100%						
2				100%						
3				100%						
Total				300%	0.00	0.00	0.00	0.00	0.00	0.00
JSCI										
NO	Project	M. Allocated	Source of Fund	WB % of Financing	contracted	Actual (Last Period)	Actual (Current period)	Total	Remaining	Forecasting
1				100%						
2				100%						
3				100%						
4				100%						
5				100%						
6				100%						
7				100%						
8				100%						
9				100%						
Total	Category 1				0.00	0.00	0.00	0.00	0.00	0.00
	Category 2 :Support to Municipal Innovations and Efficiency									
Total	Category 2									
	Category 3 :Capacity Building									0.00
Total	Category 3									
	Category 4 : (a) Consultants' services, goods, audit (b) MDLF Management Fee									
Total	Category 4									
	Total all categories									

Reporting

4. Schedule of Recurrent Expenditures for Gaza Municipalities

Municipal Development Program
Schedule of Recurrent Expenditures for Gaza Municipalities
 For the Period from to

Recurrent Expenditures Items	cumulative Prior period	Current period (1/1/20xx- 31/03/20xx)	Forecast for coming Six Months
Cleaning and maintaining public land, facilities, and assets			
Road maintenance			
Maintaining public health services including water purification and pest control			
Water and electricity utilities related to the provision of municipal services			
Fuel to run electric generators and water and wastewater pumps			
Collecting and dumping solid waste in legally permissible areas			
Laboratory tests			
Maintaining and operating municipal service vehicles			
Equipment spare parts			
Vehicle insurance			
Maintaining electromechanical and IT equipment			
Carrying out advertisements under the Procurement Plan			
Office supplies			
Public awareness related to increasing municipal revenues			
Communications			
Renting service vehicles			
Salaries of contractual staff or workers			
Total			

Reporting

5. Designed Account (DA) Activity Statement

Municipal Development Program Designated Account (DA) Activity Statement For the Reporting Period		
Project Name:.....		
IBRD/IDA Loan No. :.....		
Deposit Bank :.....		A/C No. :
Currency of DA:.....		
PART I		
1 . Cumulative advances to end of current reporting period		
		0
2 . Cumulative expenditures to end of last reporting period		
		0
3 . Outstanding Advance to be accounted (Line 1 minus line 2)		
		0
PART II		
4. Opening DA balance at beginning of reporting period (as of.....)		
		0
5. Add/Subtract : Cumulative adjustment (if any)		
	0	
6. Advances from World Bank during reporting period		
	0	
7. Add lines 5 and 6		
		0
8. Outstanding advances to be accounted for (add line 4 & line 7)		
		0
9. Closing DA balance at end of current reporting period (as of		
		0
10.Add/Subtract: Cumulative adjustments (if any)		
	0	0
11. Expenditures for current reporting period		
		0
12. Add line 10 and line 11		
13. Add line 9 and line 12		
14. Differences (if any) (line 8 minus line 13)		
PART III		
15. Total forecasted amount to be paid by World Bank		
		0
16. Less: Closing DA balance after adjustments		
	0	
17. Direct payments/SC payments		
	0	
18. Add line 16 and 17		
19. Cash requirement from World Bank for next two reporting periods (line 15 minus line 18)		

Reporting

ANNEX B. External Auditor Terms of Reference (ToR)

**TERMS OF REFERENCE (TOR)
FOR THE AUDIT OF THE [NAME OF PROGRAM] FOR THE YEAR (PERIOD)
ENDED [MONTH DATE, YEAR]**
[This TOR is applicable to new operation/Program using new the disbursement guidelines]

Background including Program Budget (Components and Categories per each Donor)

The TOR should provide appropriate background information of the Program, including:

- a) A brief description of the Program including information on Program sources of funding;
- b) A general description of implementation arrangements, including the organizational structure of all implementing entities (if more than one);
- c) List the source and total amount of funds for the period subject to audit under this TOR (Bank's loan/credit, trust funds, counterpart funds, etc); and
- d) Total disbursements / expenditures for the period subject to audit

Objective

The primary objective of the audit engagement is to enable the auditor to express a professional opinion as to whether (i) the Program Financial Statements (PFS) of the [NAME OF PROGRAM] (the Program) as of [MONTH DATE, YEAR] and for the fiscal year then ending, show true and fair view of the Program's financial position at the end of each fiscal year and of the funds received and expenditures for the period. (ii) Expenditures reimbursed on basis of Statements of Expenditures (SOE) or Reviewed Interim Financial Reports (IFRs) are eligible to Bank financing and are reflected on the PFS, and (iii) the Designated Accounts have been used exclusively for payment of eligible expenditures as reflected in the PFS, and (iv) The Program's accounting system (books and records) provides the basis for the preparation of the PFS, was established to record the financial transactions of the Program, and is maintained by the Program's implementing agency [NAME OF PROGRAM IMPLEMENTING AGENCY]. For this purpose, the auditor shall carry out whatever necessary examinations of the statements and underlying records and control systems. The Audit opinion should also state whether the Procurement Guidelines of IDA have been properly applied and in accordance with the TFGA.

Scope

The audit will be conducted in accordance with International Standards on Auditing (ISA) as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC), with special reference to ISA 800 (Auditor's Report on Special Purpose Audit Engagements) and to relevant World Bank guidelines. In conducting the Program audit, special attention should be paid to the following:

Reporting

- a) External funds have been used in accordance with the conditions of the relevant general conditions, relevant financing agreements and disbursement letter, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant general conditions and financing agreements are [CITE RELEVANT GENERAL CONDITIONS AND FINANCING AGREEMENTS];
- b) Counterpart funds have been provided and used in accordance with the relevant general conditions, relevant financing agreements and disbursement letter, and only for the purposes for which they were provided;
- c) Goods and services financed have been procured in accordance with the relevant general conditions, relevant financing agreements and disbursement letter;
- d) Necessary supporting documents, records, and accounts have been kept in respect of all Program ventures including expenditures reported via Summary Report (or Interim Reviewed Financial Reports (Interim Reports)) if used as the basis of disbursement, or Designated Accounts (DAs). Clear linkages should exist between the accounting records and the financial reports presented to the Bank.
- e) Where Designated Accounts have been used, they have been maintained in accordance with the provisions of the relevant general conditions, relevant financing agreements and disbursement letter.
- f) The PFS have been prepared in accordance with generally accepted accounting principles and practices and relevant World Bank guidelines, and give a true and fair view of the financial position of the Program as of [MONTH DATE, YEAR] and of the resources and expenditures for the fiscal year then ending.
- g) Review the compliance on each of the financial covenants in the (STATE SPECIFIC SECTION OF LOAN/FINANCING AGREEMENT and list, as necessary).
- h) Ensure conducting field visits with clear mandates to verify physical progress. In this context, auditors should use relevant technical specialists as needed
- i) Verification of daily workers fees under recurrent expenditures to Gaza Municipalities; the auditor will insure the eligibility daily workers payments according to the funding proposal and to the respective sub- project agreement. Sample to be checked have to be representative of both West Bank and Gaza in respect to the program allocation to these areas.

Quarterly Review of Interim Financial Reports

The auditor will be expected to carry out a review for the Interim Financial Report (IFRs) submitted as a basis for Disbursement every Quarter. The Quarterly Review of IFRs will be part and parcel of the end of year financial audit.

The objective of the interim audit is to ascertain the compliance with the terms of funding agreements. More specifically, it aims to ensure that disbursements were executed in accordance with procedures agreed to with the Donors, that resources received were used for eligible expenditures as spelled out in the Project Papers and the Grant Agreements and are in compliance with the agreed upon requirements.

Reporting

Program Financial Statements

The Program Financial Statements should include

- a) Summary of Funds received, showing the World Bank, Program funds from other donors, and counterpart funds separately. (Funds Received by each Donor).
- b) Summary of Expenditures shown under the main Program headings and by main categories of expenditures and by Donor, both for the current fiscal year, previous fiscal year, and accumulated to-date; (Funds Disbursed related to each Donor).
- c) Summary of Summary Reports (Reviewed IFRs) used as the basis for the submission of withdrawal applications;
- d) Statement of Designated Accounts; and
- e) Balance Sheet showing Accumulated Funds of the Program, bank balances, other assets of the Program, and liabilities, if any.

Summary Reports

(or Interim Reviewed Financial Reports (interim reports) if used as the basis of disbursement)

As part of the audit of the PFS, the auditor is required to audit all Summary Reports and Interim Reviewed Financial Reports (Interim Reports) used as the basis for the submission of withdrawal applications.

These Summary Reports (or Interim Reports) should be compared for Program eligibility with the relevant general conditions, relevant financing agreements, and disbursement letter, and with reference to the Program Appraisal Document for guidance when considered necessary. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted in separate note disclosures and also in the management letter, by the auditor. The Program Financial Statements (or included within the notes to the Program financial statements) should be a schedule listing individual Summary Reports (or Interim Reports if used as the basis of disbursement) withdrawal applications by specific reference number and amount.

The auditor should pay particular attention as to whether:

- a) The Summary Reports (or Interim Reports) have been prepared in accordance with the provisions of the relevant financing agreement.
- b) Expenditures have been made wholly and necessarily for the realization of Program objectives.
- c) information and explanation necessary for the purpose of the audit have been obtained;
- d) supporting records and documents necessary for the purpose of the audit have been retained, and
- e) The Summary Reports (or Interim Reports) can be relied upon to support the related withdrawal applications.

Reporting

Designated Accounts

In conjunction with the audit of the Program Financial Statements, the auditor is also required to audit the activities of the Designated Accounts associated with the Program. The Designated Accounts usually comprise

- a) deposits and replenishments received from the Bank;
- b) payments substantiated by withdrawal applications;
- c) interest that may be earned from the balances and which belong to the borrower; and
- d) the remaining balances at the end of each fiscal year.

The auditor should pay particular attention as to the compliance with the Bank's procedures and the balances of the Designated Accounts at the end of the fiscal year (or period). The auditor should examine the eligibility of financial transactions during the period under examination and fund balances at the end of such a period, the operation and use of the DAs in accordance with the relevant general conditions, relevant financing agreements and disbursement letter, and the adequacy of internal controls for this type of disbursement mechanism.

For this Program, the Designated Accounts are referred to in [CITE RELEVANT CLAUSES] of the relevant general conditions, relevant financing agreements and disbursement letter.

Audit Deliverables

The auditors will issue an audit opinion on the [NAME OF PROGRAM] Program Financial Statements (refer to the "Program Financial Statements" paragraph above for a definition of the statements included therein).

In addition to the audit opinion, the auditor will prepare a "management letter.

A) Audit Report

The auditing report shall include an explicit professional opinion whether (a) the Program financial statements give a true and fair view of the state of the Program's affairs, (b) expenditures reimbursed on basis of Statements of Expenditures are eligible to Bank financing and are reflected on the PFS, and (c) the Designated Accounts have been used exclusively for payment of eligible expenditures as reflected in the PFS, and (d) The Program's accounting system (books and records) provides the basis for the preparation of the PFS, was established to record the financial transactions of the Program, and is maintained by the Program's implementing agency. The Auditors should take into account relevant statutory and other mandatory disclosures and accounting requirements stipulated in the GA and express in the report any relevant exception and the impact of the exception on the PFS. The audit report shall be produced on yearly basis. Also, a report shall be produced at the completion of the Program.

B) Management Letter

In which the auditor will:

- give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;

Reporting

- report on the degree of compliance of each of the financial covenants on the financing agreement and give comments, if any, on internal and external matters affecting such compliance;
- Communicate matters that have come to attention during the audit which might have a significant impact on the implementation of the Program; and
- Bring to the borrower's attention any other matters that the auditors considers pertinent.
- Include management's comments in the final management letter.

C) Quarterly Reviewed Interim Financial Reports (IFRs)

The financial statements, including the audit opinion, and management letter should be received by the Program's implementing agency, [NAME OF PROGRAM IMPLEMENTING AGENCY], no later than six months after the end of the audited fiscal year. The Program's implementing agency should then promptly forward two copies of the audited Program financial statements (including audit opinion) and management letter to the Bank.

General

The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the [NAME OF PROGRAM IMPLEMENTING AGENCY]. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the entity. As part of the audit process, the auditor will request from management written confirmation concerning representations made to the auditor in connection with the audit.

The [NAME OF PROGRAM IMPLEMENTING AGENCY] will co-operate fully with the auditor and will make available to the auditor whatever records, documentation and other information is requested by the auditor in connection with the audit. The auditor should be given access to all legal documents, correspondence, and any other information associated with the Program and deemed necessary by the auditor. Confirmation should also be obtained of amounts disbursed and outstanding at the Bank and of amounts disbursed under [SPECIFY OTHER DONORS, LOANS OR GRANTS, IF ANY].

It is highly desirable that the auditor become familiar with the relevant World Bank guidelines, which explain the Bank's financial reporting and auditing requirements. These guidelines include:

- Financial Management Practices in World Bank Financed Investment Operations, dated November 2005
- World Bank Disbursement Handbook for Borrowers
- World Bank Disbursement Guidelines, dated September 2005
- Financial Monitoring Report (FMR) - Guidelines to Borrowers dated November 30, 2001.

This term of engagement will remain effective for future fiscal years unless it is terminated, amended or superseded.

The auditor should understand that working papers under World Bank Program can be subject to the review by Client's and/or World Bank designated staff.

Reporting

Irregularities Including Fraud

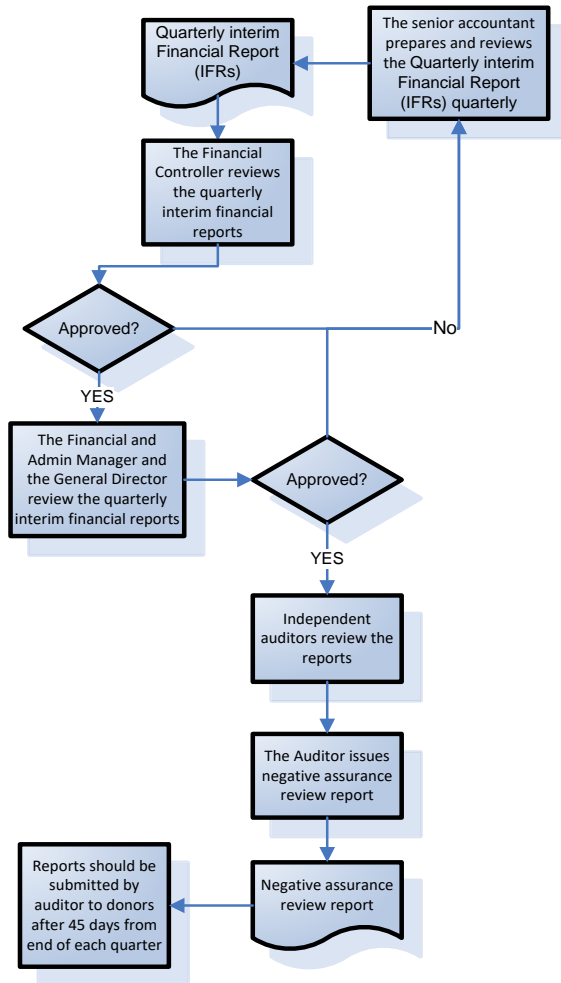
- A. The MOEHE is responsible for ensuring the establishment and maintenance of an adequate system of internal control. It is also responsible for ensuring compliance with statutory and other regulations, and for the prevention and detection of irregularities, including fraud. Although, the Auditors are not required to search specifically for such matters, the audit shall be planned and conducted so that the Auditors have a reasonable expectation of detecting material misstatements in the accounts resulting from irregularities, including fraud, or breach of regulations.
- B. The Auditors will report in writing any serious weaknesses, fraud, irregularities or accounting break-downs that they come across in the normal course of their duties to the designated office holder, MOEHE, and the Bank without delay.

Access

- A. The Auditors shall have rights of access to the books, accounts, vouchers, TFGA and related Supplemental Letters, Program Appraisal Document, correspondence, and all other documents in relation of the Program and to such information and explanations as auditors consider necessary to perform their duties and fulfill their responsibilities.
- B. In addition, the auditors will be provided with copies of the Bank relevant publications that the Ministry has to recognize including: (i) World Bank guidelines "Financial Accounting, Reporting, and Auditing Handbook" (FARAH) (ii) The World Bank "Program Financial Management Manual" and (iii) the World Bank "Procurement Guidelines".
- C. In turn, on occasions the Bank representatives may wish to meet with Programs' auditors, in connection with a visit to the auditors' office, review of the audit working papers, files and discussion of the work performed and conclusion reached by the auditors. The Auditor should not limit access in any way and must reply to all inquiries raised by the Bank representative. Failure to comply with this provision may disqualify the Auditors from dealing with the all Programs funded or administered by IDA. Formal discussion should normally be arranged through the Program's designated office holder or representative. The Bank will have this exclusive right during performance of the audit and within two years after completion of the audit engagement.
- D. **Annual Meetings.** The Auditor will be requested to attend a meeting with the Ministry in which the Program's annual reports and financial statements of account are presented. The Auditor will discuss the audit report and management report and any part of the business that concerns the Auditor.
- E. **Termination of Appointment.** If there are serious shortcomings on the part of the Auditor, the Governing Body, after consultation with the World Bank, may pass a resolution to remove the Auditors before the expiry of their assignment.

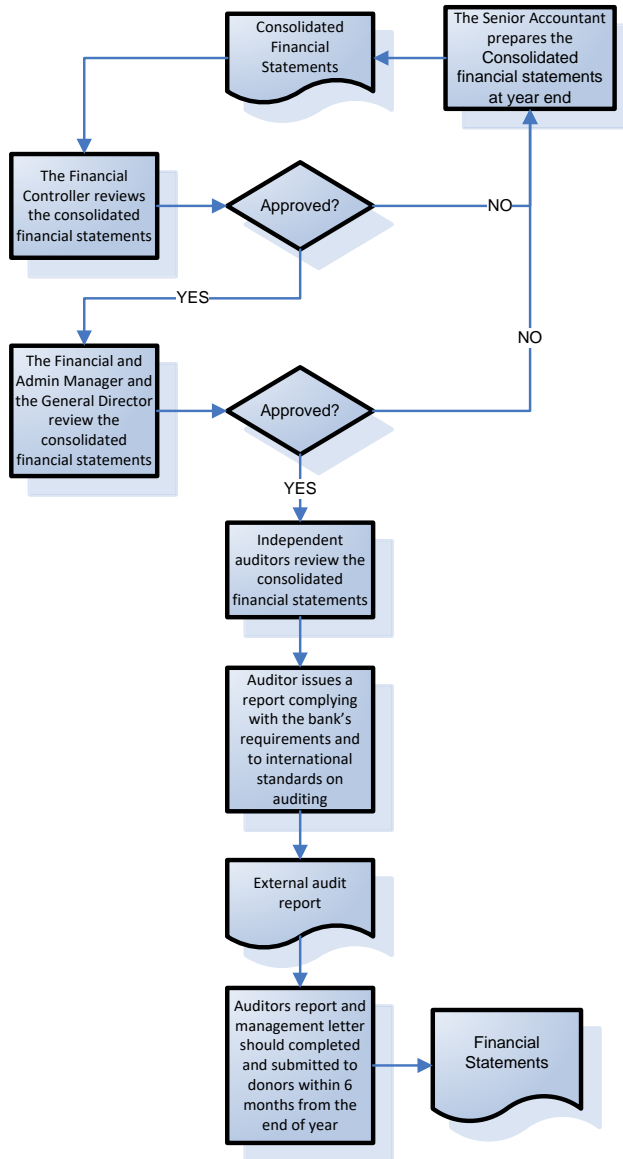
Restriction of Auditor's Liability. There is no limitation of the auditors' liability in respect of audit opinions given under this assignment. The Ministry will not agree to any such restriction in liability.

Quarterly Reports



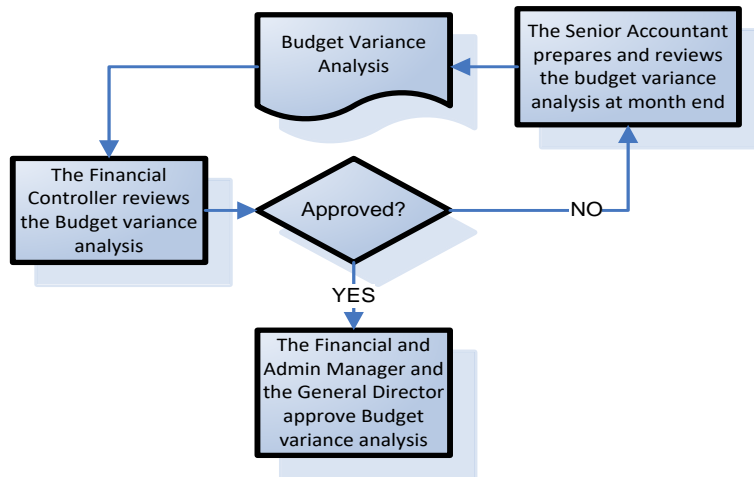
Reporting

Annual Consolidated Statements



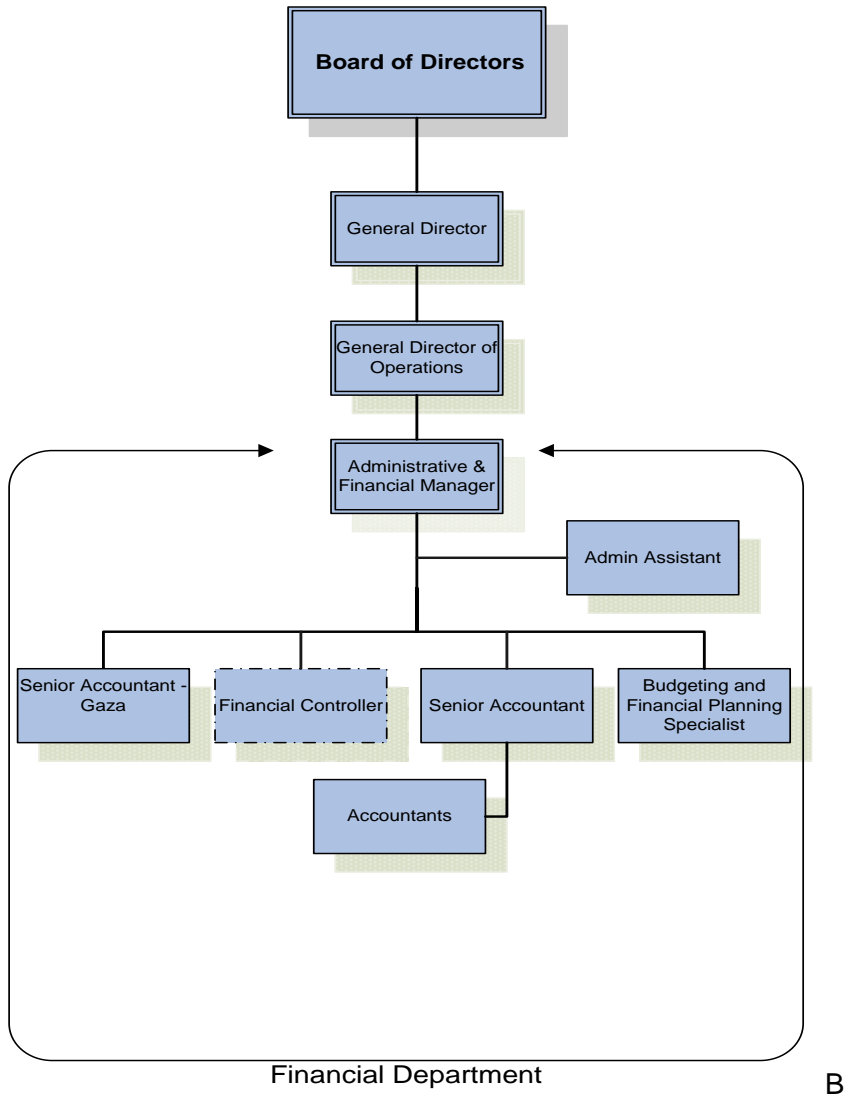
Reporting

Budget Variance Analysis



Structure and Jobs Descriptions

A. Organizational Structure



Structure and Jobs Descriptions

B. Job Descriptions

Position Title: Financial and Administrative Manager	Reports To: General Director
	Department: Financial Department

Summary

1. Responsible for all financial and fiscal management aspects of operations,
2. Responsible for providing leadership and coordination in the administrative, business planning, accounting and budgeting efforts of the MDLF.

Roles & Responsibilities

1. Establishes and implements short- and long-range departmental goals, objectives, policies, and operating procedures.
2. Creates, coordinates, and evaluates the financial programmes and supporting information systems of the MDLF.
3. Approves and coordinate changes and improvements in automated financial and management information systems for the MDLF.
4. Ensures compliance with local laws and donors reporting requirements.
5. Oversees the approval and processing of revenue, expenditure, and position control documents, department budgets, ledger, and account maintenance and data entry.
6. Coordinates the preparation of financial statements, financial reports, special analyses, and information reports.
7. Establishes and maintain appropriate internal control safeguards.
8. Interacts with other managers to provide consultative support to planning initiatives through financial and management information analyses, reports, and recommendations.
9. Interacts with donors on all financial matters related to grants agreements.
10. Ensures records systems are maintained in accordance with IFRS.
11. Develops and directs the implementation of strategic business and/or operational plans, projects, programmes, and systems.
12. Analyzes cash flow, cost controls, and expenses and analyze financial statements to pinpoint potential weak areas.
13. Oversees financial management of Municipalities to include developing financial and budget policies and procedures.
14. Other duties as assigned.

Structure and Jobs Descriptions

Experience & Qualifications	
Essential	Desired
<ol style="list-style-type: none"> 1. Experience in strategic planning and execution. Knowledge of contracting, negotiating, and change management. 2. Knowledge of finance, accounting, budgeting, and cost control principles including Generally Accepted Accounting Principles. 3. Knowledge of automated financial and accounting reporting systems. 4. Ability to analyze financial data and prepare financial reports, statements, and projections. 5. Professional written and verbal communication and interpersonal skills. 6. Ability to motivate teams to produce quality materials within tight timeframes and simultaneously manage several projects. 7. Ability to participate in and facilitate group meetings. 8. Bachelors' degree in Finance or Accounting, ten years of experience in senior-level finance or accounting position. 	<ol style="list-style-type: none"> 1. MBA in Finance/Accounting or CPA/CMA 2. 10 - 15 years of experience

Structure and Jobs Descriptions

Position Title:	Budgeting and Financial Planning Specialist	Reports To:	Financial and Administrative Manager
		Department:	Financial Department

Summary

1. Responsible for preparing and consolidating all financial planning and analysis, through the Financial and Administrative Manager
2. Responsible for providing support for strategic planning and corporate business development activities.
3. Responsible for developing the long-term strategic financial plan across the global enterprise.
4. Responsible for managing the annual budgeting process and coordinating

Roles & Responsibilities

1. Cooperates with senior management to develop the strategic plan,
2. Manages the preparation of the annual budget and monitors changes to forecasts,
3. Cooperates with Investor Relations to produce and monitor competitive market data,
4. Coordinates the financial aspects of grant development decisions,
5. Prepares and delivers major financial presentations and reports to donors and the Board of Directors including monthly and quarterly reporting packages (IFR)
6. Prepares ad-hoc analysis for the Financial and Administrative Manager and other senior management team members
7. Analyzes and develops recommendations for significant budget and plan to actual variances
8. Prepares financial analysis for contract negotiations

Experience & Qualifications	
Essential	Desired
<ol style="list-style-type: none"> 1. Bachelor's degree in Accounting or Finance and 5+ years of financial analysis experience in a manufacturing environment 2. Track record of increased responsibility in finance management in a multi-national organization 3. Excellent leadership skills and ability to develop finance and accounting staff 4. Experience in web analytics, CRM or Business Performance Management (BPM) tools 5. Strong analytical and financial modeling skills 	<ol style="list-style-type: none"> 1. MBA in Finance/Accounting or CPA/CMA 2. Experience in one of the big four accounting firms

Structure and Jobs Descriptions

Position Title:	Financial Controller	Reports To:	Financial and Administrative Manager
		Department:	Financial Department

Summary

1. Responsible for managing the transaction processing and financial close and reporting functions within accounting,
2. Responsible for ensuring the accuracy and timely completion of the closing process
3. Responsible for providing detailed knowledge of IFRS,
4. Responsible for providing direction and clarification to accounting staff when interpreting technical pronouncements,
5. Responsible for overseeing the implementation of accounting policies, procedures and financial reporting requirements and ensures that changes are understood and complied with at corporate and at the business unit entities.

Roles & Responsibilities

1. Perform post checks and audits of payments and other entries and financial transactions in compliance with the IFRS and donors requirements.
2. Ensures accounting policies are enforced and assists with internal and external audits
3. Manages the implementation of corporate finance and accounting initiatives
4. Develops accounting policies based upon interpretation of accounting principles and pronouncements
5. Completes final review of all financial reports prepared by the Senior Accountant,
6. Responsible for preparing reports to donors, and sign-off on quarterly and annual reports
7. Oversees the daily finance operations and monitors the effectiveness of the monthly close process
8. Reviews all MDLF disbursements.
9. Reviews and ensures that monthly financial statements are prepared accurately and within MDLF and reporting standards
10. Investigates and prepares memoranda supporting technical accounting conclusions for significant transactions and accounting matters
11. Monitors and analyzes monthly operating results against budget
12. Establishes and implements short and long-term departmental goals, objectives, and enforces policies and operating procedures at corporate and at the business unit
13. Maintains primary relationship with External Auditors
14. Cooperates with Internal and External Auditors during periodic reviews

Experience & Qualifications	
Essential	Desired
<ul style="list-style-type: none"> • Bachelor's degree in Accounting or Finance • 5+ years of corporate controller experience. 	<ul style="list-style-type: none"> • Any CPA,CIA, CMA and extensive knowledge of IFRS • Advanced degree in Accounting or Finance

Structure and Jobs Descriptions

Position Title: Senior Accountant	Reports To: Financial and Administrative Manager
Department:	Financial Department

Summary

1. Responsible for directing the activities of transactional accounting functions within the MDLF.
2. Responsible for the accuracy, integrity of transactions and underlying data in key areas including: General Accounting, Accounts Payable, Accounts Receivable, Accruals, Revenue Recognition, Inventory Valuation, Standard Costing and Reporting.
3. Responsible for the closing of the accounts and for the timely and accurate reporting of the business unit's monthly financial results.

Roles & Responsibilities

1. Manages staff within the Financial Department.
2. Oversees the daily financial operations and transaction processing,
3. Directs the monthly general ledger accounting close process ensuring that all journal entries and analysis are completed timely and accurately to support the financial close, which includes overseeing the monthly closing calendar
4. Ensures that monthly financial statements are prepared in accordance with policies and guidelines
5. Prepares budget to actual comparisons and variance analysis for manufacturing operations
6. Monitors and analyzes monthly operating results against budget for the business unit
7. Cooperates with the Budget and Financial Planning Specialist to prepare the annual operating budget.
8. Approves monthly reconciliations,
9. Provides guidance on the accurate recording of complex accounting events
10. Compiles financial information to prepare financial statements including monthly, quarterly and annual accounts,
11. Ensures financial records are maintained in compliance with accepted policies and procedures,
12. Ensures all financial reporting deadlines are met,
13. Prepares financial management reports,
14. Resolves accounting discrepancies and irregularities
15. Supports budget and forecast activities,
16. Monitors and support taxation issues,
17. Develops and maintain financial data bases,
18. Undertakes posting of all central journals, as directed by the Financial and Administrative Manager,

Structure and Jobs Descriptions

- 19. Ensures teams are performing the above to an equally high standard and deal with any issues that may arise.
- 20. Prepares statutory information as and when requested,
- 21. Undertake other work when required

Experience & Qualifications	
Essential	Desired
<ul style="list-style-type: none"> 1. Bachelor's degree in Accounting or Finance 2. 5+ years of accounting experience in the management of financial systems and budgets, financial reporting, financial data analysis, auditing, taxation and providing financial advice 3. Ability to establish priorities, work independently, and proceed with objectives without corporate oversight 4. Solid understanding of IFRS 5. Working knowledge of spreadsheets and reporting tools 6. Supervisory experience of staff accountants 	<ul style="list-style-type: none"> 1. Advanced accounting or finance degree, or CPA/CMA 2. Knowledge of IFRS, 3. knowledge and experience of related computer applications

Structure and Jobs Descriptions

Position Title: Accountant	Reports To: Senior Accountant
	Department: Financial Department

Summary

Apply principles of accounting to record financial information and prepare financial reports by, and utilizing appropriate accounting control procedures.

Roles & Responsibilities

1. Records entries to accounts, such as general ledger accounts, and document business transactions.
2. Prepares payments and related system reports for accuracy and completeness.
3. Reviews supporting documents to ensure accuracy, relevance and validity of documents before recording entries.
4. Prepares Bank Reconciliations,
5. Assists in the preparation of profit and loss statements and monthly closing and cost accounting reports.
6. Assists in the preparation of profit and loss statements and monthly closing and cost accounting reports.
7. Maintains, and coordinate the implementation of accounting and control procedures.
8. Records and review revenue, expense, invoices, and other accounting documents.
9. Resolves accounting discrepancies.
10. Interacts with Internal and External Auditors in completing audits.
11. Other duties as assigned.

Experience & Qualifications	
Essential	Desired
<ol style="list-style-type: none"> 1. Bachelors Degree in Accounting, 2. Three to five years of accounting experience in similar position 	<ol style="list-style-type: none"> 1. Knowledge of finance, accounting, budgeting, and cost control principles including IFRS. 2. Knowledge of financial and accounting software applications. 3. Ability to analyze financial data and prepare financial reports, statements and projections.

Structure and Jobs Descriptions

Position Title: Administrative Assistant	Reports To: Financial and Administrative Manager
	Department: Financial Department

Summary

Provide administrative support to the Financial Department. Duties include general clerical, receptionist and project based work and project a professional image through in-person and phone interaction.

Roles & Responsibilities

1. Answers telephones and transfer to appropriate staff member.
2. Creates and modify documents using Microsoft Office.
3. Performs general clerical duties to include but not limited to: photocopying, faxing, mailing, and filing.
4. Maintains hard copy and electronic filing system.
5. Signs for and distribute mail.
6. Distributes and coordinate with suppliers to collect their payment checks.
7. Supports staff in assigned project based work.
8. Other duties as assigned.

Experience & Qualifications	
Essential	Desired
<ol style="list-style-type: none"> 1. Diploma in Secretary or Bachelor of Business Administration. 2. One to three years of clerical experience. 	<ol style="list-style-type: none"> 1. Basic reading, writing, and arithmetic skills required. This is normally acquired through a high school diploma or equivalent. 2. Knowledge of Microsoft Office and telephone protocol. Duties require professional verbal and written communication skills and the ability to type.

Annex 1

Financial Management Arrangements for MDPIV

General Financial Management arrangements for MDP IV will follow the procedures in the MDLF Financial policies and procedures Manual (FPPM). However, this addendum covers financial management arrangements for topics that are particularly designed for MDP IV and /or not mentioned in the MDLF FPPM.

Grants allocation

- Grants to Municipalities should be made using the mechanism approved by the MDLF BOD and agreed upon with the donors. For instance, grants to the Municipalities should be made in accordance to the performance-based allocation mechanism and with the eligibility criteria specified. The implementation of the Grant Allocation Formula is described in a detailed manual which defines the forms, guidelines, checklists and the corresponding charts that illustrate the administrative flow. It defines each indicator, how it is to be measured, and together how they are used for ranking municipal performance.
- All requests for grants from Municipalities should be evaluated by the Technical Department based on the criteria provided by MDLF and should be approved by the Director of Operations and the General Director.

Payment of Grants to selected municipalities will be conducted in two different methods:

A: Performance – Based Grants for Capital Investments:

1. Municipalities are responsible for sub-project implementation and for all contracting procedures, but the MDLF is responsible for making payments to contractors and suppliers on behalf of Municipalities in accordance to the procedures detailed in the Programme Expenditures under the Cash Handling section of the financial manual (Except for the municipalities that will have increased responsibilities to receive funds and to manage FM and Disbursement functions for the performance-based grants for capital investments under Window-1).
2. All approved payments should be made through the MDLF /Grant special designated bank account and shall be transferred directly to the contractor/vendor account.
3. Any payment should be made against the original supporting documents/tax invoices and should be properly approved.
4. The payment procedures should be in accordance to the Cash Handling section of the financial manual. The MDLF should report to donors in accordance to the agreement signed and as further detailed in the Reporting section of this manual.

B. Municipalities that will receive funds with increased FM responsibilities

1. MDLF will select the Municipalities under this method based on their financial management capacity.
2. MDLF shall assess the municipalities' financial management capacity to select the candidate Municipalities. The assessment will cover Rank B+ and above Municipalities in accordance with MDLF ranking system with MOLG approval of the previous year budget and external auditor report without expressing an adverse or disclaimer audit opinion on the municipality's previous year financial statement.
3. Addendum to the Grant Implementation Agreement GIA will be signed between MDLF and each fund receiving municipality. The addendum to the GIA will explicitly state such fund flow arrangements.
4. Subprojects shall be approved by MDLF as mentioned in MDLF technical manual.
5. Municipalities shall proceed with contracting procedures and get the needed approvals according to the MDLF procurement Manual.
6. Municipalities shall open a separate bank account for the subproject funded by MDLF under this method.
7. MDLF will open a separate general ledger in its accounting system to account for funds advanced and expenditure incurred by each selected municipality. In turn, each selected municipality will open a separate general ledger in its accounting system.
8. Each municipality will submit to MDLF within 15 days the following Interim Unaudited Financial Reports (IFRs): i) Statement of Cash Receipts and Expenditures, for the period and cumulatively from project inception, (ii) Statement of Designated Accounts reconciling period-opening and end balances; and (iii) Comparison of Budget vs. Actual for the period and cumulatively from project inception, with justification of significant variance, (iv) Cash flow projection for the coming six months. (v) Physical progress reports which include narrative information and output indicators linking financial information with physical progress, and highlighting issues that require attention. vi) Fixed assets schedule, vii) Contract list.

C. Flow of Funds to Municipalities that will receive funds with increased FM responsibilities

C.1 Flow of funds from MDLF to the selected municipalities will be conducted as follows:

1. MDLF based on the assessment will identify and select the municipalities which will be subject to receive funds to their designated bank accounts
2. The selected municipalities will sign an addendum to the GIA that include the financial management arrangements.
3. Municipalities after completing the contracting procedures according to the MDLF procurement manual shall send to the MDLF a payment request for the initial advance including the following:
 - Payment request from the Municipality signed by the Mayor indicating the amount of money requested, the name of the sub-project and number, the name of the contractor and the details of

the designated bank account (Name of the bank , bank account number , the bank account IPAN)

- Unaudited Interim Financial Report (IFR) including the Cash flow projection for the coming six months to be transferred to the municipality designated bank account as an initial advance.
- Copy of the contact between the Municipality and the contractors.

4. MDLF shall transfer semiannual installments to the eligible Municipalities for their pertinent allocation over the two-year grant cycle to the separate bank account based on a payment request from the Municipality. Only Payments related to the approved subproject expenditures shall be paid from the separate bank account.

5.. Municipalities should submit the following evidence of eligible expenditures within a maximum of 30 days from the date of the receipt of the advance attached to the replenishment:

- Payment request signed by the Mayor
- Unaudited IFR.
- Supporting documents (tax invoice, technical approvals, supporting documents that the contractors and suppliers received their payments from the separate bank account, and any other related documents)
- Bank statements and bank reconciliation to the separate bank account.

6.The technical department shall review the invoices and related documents; checks whether each invoice matches with the tender and the agreement between the contractors and the LGU. Checks the technical specification, comparing with the implementation on the ground (drawings and bill of quantities), and also checks whether the invoices meet the budget lines described between the MDLF and the LGU. All documents shall be transferred to the financial department at MDLF with the technical approval in order to offset the advance payments or to make a new payment /replenishment.

In case of the final payment of the project, the manager of the technical department shall indicate such on at the invoice.

7.The Municipal separate bank account should be subject to be audited by the auditors or MDLF staff, when and if needed.

C.2 Flow of funds form the Municipalities designated bank account to the contactors /suppliers:

1.The contractor / supplier shall prepare the payment request including all the supporting documents after completing the tasks according to the contract and submit the payment request to the appointed Local Technical consultant (LTC) by MDLF.

2. The LTC shall review the payment request and check the accomplished work on the ground with the invoices, bill of quantities ,the contact, technical specifications, the variation order (if any), the budget lines of the sub-project described in the agreement between MDLF and the Municipality and do the needed physical inspection to approve the payment . Then, the LTC shall

submit the approved payment request to the Technical department in the Municipality.

3.The Technical Department in the Municipality shall review the invoices and the related documents; checks whether each invoice matches with the tender and the agreement between the contractor and the Municipality, checks the technical specification, checks whether the invoice meets the budget lines described in the agreement between the MDLF and the Municipality.

4.The Technical Department approves the payment request.

5.The payment request shall be transferred to the Accounting and Financial Department in the Municipality in order to offset the down /advance payments or to make a new payment as described in the contract between the Municipality and the contractor / supplier. (In the case of the final payment of the project, the Technical Department shall indicate such on at the invoice; the final payment should be made only after receiving all the documents needed from the technical department.

6. the Financial Department should perform the following tasks:

- i. Review the Payment Request including all original supporting document
- ii. Compare the Payment Request to the budget.
- iii. Prepare Payment Order and gets the approvals
- iv. Record the payment in the accounting system
- v. Prepare wire transfer or check to be paid form the designated bank account for the sub-project.

Recurrent Expenditure Scheme to Gaza Municipalities:

Recurrent expenditure payments will be made to contractors and suppliers against invoices, in accordance with the financial manual, directly by the MDLF. This scheme will finance recurrent expenditure scheme to Gaza:

The following actions should be adhered to in relation to this scheme:

- a. No funds will be transferred to Municipalities, except for the reimbursement payments.
- b. Municipalities' applications will be reviewed by area engineers, and their manager to ensure appropriate documentation.
- c. Daily workers including, workers using donkey carts, and workers using hand carts will be contracted by municipalities.
- d. Each worker will be required to complete and sign daily time sheets. Daily time sheets will be approved by the respective supervisor at the municipality.
- e. MDLF and the local technical consultants will conduct continuous field visits (weekly) to verify existence of contracted workers.
- f. At the end of the month, each municipality will send a payment request to the MDLF; including the approved and signed daily time sheets, and a copy of each workers identification number (if any),
- g. MDLF will review, verify and approve the Payment request including the supporting documents.
- h. MDLF will prepare payment order to the bank including the name of each worker, identification number, and wage amount. The bank will pay for each worker his wage amount from the designated bank account of the project, and will sign a payment receipt voucher.
- i. MDLF will be responsible for obtaining receipt of all the original documentation described above from the bank, before paying a new payment for additional wages payments of daily workers.
- j. The external auditor scope will explicitly include verification of daily workers' wages under recurrent expenditures, the auditor will ensure the eligibility of wages payments to daily workers, and will ensure its compliance with the work contract and to the respective sub- project's agreements.
- k. The following table specify the type of the recurrent expenditures that can be financed under this scheme:

No.	Item Category	Details
1.	Cleaning and maintaining public facilities and assets	<ol style="list-style-type: none">1. Maintaining public facilities e.g road maintenance.2. Maintaining of water and electricity utilities related to the provision of municipal services
2.	Maintaining public health services	<ol style="list-style-type: none">1. water purification materials (Chemicals for water purification)2. supplying potable water through tankers to help sustain hygienic conditions to combat the disease.3. Pesticides, disinfectants, Chemicals to fight mosquito

No.	Item Category	Details
		and rodents and agricultural pests, PPE.
3.	Collection of Solid Waste	<ol style="list-style-type: none"> 1. Primary solid waste collection cost (hiring of labor by using donkey carts/using hand carts). 2. Secondary solid waste collection through contracting private companies to transfer solid waste from the transfer stations/large containers (roll on/off) to the main landfill.
4.	Solid waste councils' fees/ Solid Waste fees for waste collection and disposal	<ol style="list-style-type: none"> 1. Payments against the solid waste service provided by the public entity on a regular basis.
5.	Joint Service councils' fees	<ol style="list-style-type: none"> 1. Payments against municipal services provided by the service councils (using wheel loaders, trucks, waste water vehicles....etc.).
6.	Other Solid Waste Services	<ol style="list-style-type: none"> 1. Maintenance of solid waste containers. 2. PPE and cleaning tools
7.	carrying out laboratory tests	<ol style="list-style-type: none"> 1. Laboratory test during design of streets/public facilities. 2. Laboratory test of the quality of water and wastewater.
8.	Maintaining and operating municipal service vehicles, Equipment and generators	<ol style="list-style-type: none"> 1. Oil for service vehicles including the administration's vehicles. 2. Oil for Water and wastewater Facilities and the Administration (to operate the Stade by Generators). 3. Vehicles and Electricity Generators spare parts including wells tires and Batteries as well. 4. Equipment spare parts 5. Vehicle and workers insurance. 6. Electro-mechanical Maintenance contracts for Water and Waste Water Facilities Spare parts
9.	Maintaining electromechanical and IT equipment	
10.	Materials for municipality workshop	<ol style="list-style-type: none"> 1. Small to medium size tools for municipal services maintenance regular activities
11.	office supplies	
12.	Materials and tools for safety	<ol style="list-style-type: none"> 1. PPE clothes and shoes for workers
13.	Public awareness, outreach, communication, and advertisements	<ol style="list-style-type: none"> 1. public awareness related to increasing municipal revenues; the cost of communications; renting service vehicles. 2. carrying out advertisements under the Procurement Plan, regarding the procurement of goods and works;
14.	Fees of wastewater collection and treatment	Fees of wastewater collection and treatment into identified wastewater treatment plants
15.	provision of equipment, materials and supplies to	

No.	Item Category	Details
	combat the spread of the COVID-19 virus	PPE, Disinfection materials, etc.
16.	All directly related to the provision of essential municipal services	e.g. <ol style="list-style-type: none"> 1. Telecommunications & internet costs and fees, 2. General insurance 3. contract private companies to sterilizing public building.

I.

Special Arrangement for World Bank Trust Fund under MDP IV :

- **Financial Management Implementation mechanism:**

Type 1: Municipalities that will receive funds to their bank accounts will have increased FM responsibilities. As part of project preparation, the Bank FM team performed a high-level assessment of the FM capacities of participating municipalities, mainly building on the prior experience from implementing the MDP3. A number of eligible municipalities were identified and assessed based on their FM performance during the MDP3 for their ability to manage the additional FM responsibilities in a successful manner. As a second stage to this assessment, the FM Bank team also discussed and reviewed the performance assessment of municipalities that is carried out by MDLF and includes several indicators relating to FM capacity, and thus, provides a good indicator of the FM capacities of municipalities. A new performance assessment will be performed during Q1 of 2023 and will be used as a basis for identifying eligible and competent municipalities.

Accordingly, municipalities with a high-performance ranking will be granted a greater responsibility for managing funds of their sub-projects under Component 1 in similar fashion to the MDP3 FM implementation mechanism. MDLF should verify that the municipality is eligible to receive funds based on the following criteria: (i) specified performance ranking; (ii) MoLG approval of the previous year budget of the municipality; and (iii) external auditor did not express an adverse or disclaimer audit opinion on the municipality's previous year financial statement.

Type 2: FM arrangements for the rest of the West Bank and Gaza municipalities. Funds will not be channeled to municipalities

under this category, MDLF will have the sole responsibility to disburse on behalf of municipalities to contractors and suppliers. Payments will be reviewed and approved by the MDLF according to MDLF's policies and procedures manual.

- **Funds Flow and Disbursement Arrangements:**

The proceeds of the Grants will be disbursed in accordance with the World Bank's disbursements guidelines. This will be outlined in the Disbursement and Financial Information Letter (DFIL) and in accordance with the Bank's Disbursement Guidelines for Projects (IPF). The Project will follow "Report Based Disbursements" using IFRs as Withdrawal Application templates. The WA-IFRs will provide actual expenditures for the preceding quarter and cash flow projections for the next six months. The IFRs together with the withdrawal application will be reviewed by the Bank's financial specialist and approved by the task team leader before the request for disbursement is processed by the Bank's Loan Department. Reimbursement, Direct Payments, and Special Commitment Issuance Applications can be accepted if the amount is above the "Minimum Application Size" as specified in the Disbursement Letter.

Disbursement process documentation. Requests for payments from the Grant will be initiated using Withdrawal Applications (WAs) using any of the disbursement methods stipulated in the disbursement and financial information letter (DFIL). The documentation supporting expenditures will be retained at MDLF and readily accessible for review by the external auditors and Bank implementation support missions. All disbursements will be subject to the conditions of the Grant Agreement

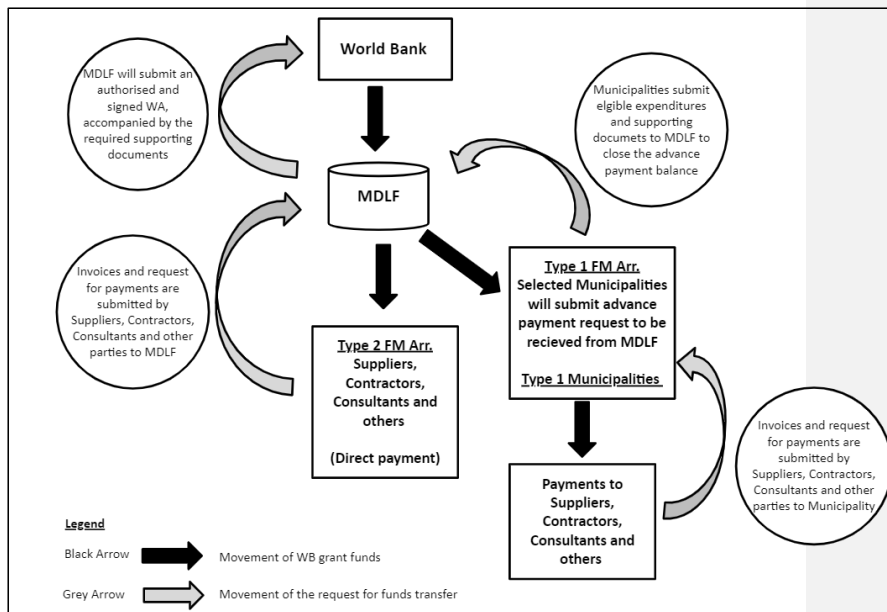
and disbursement procedures as defined in the DFIL.

- **Expected Closing date, grace period and Authorized Signatories for WA:**

Expected Closing Date	July 31,2027.
Expected Grace period	Four Months after closing date.
Authorized Signatory for WA 1	Minster of Finance.
Authorized Signatory for WA 2	General Accountant - Ministry of Finance.

This subject to change during the program period based on agreement amendment.

- **Flow of funds:**



- Severance payment and end of service payment for consultants or eligible PMU staff are considered special eligible expenditures under the World Bank guidelines and regulations that require special approval from WB RVP, otherwise they are considered ineligible expenditures and should not be charged to the Project.
- Expenditures under this project should be eligible as described and detailed in the Grant legal agreements and in accordance with the World Bank rules and guidelines. Similarly any ineligible expenditures as defined by World Bank rules and guidelines are considered ineligible and should not be charged to the project, if cases of such expenditures exist they will be covered by MDLF and not the project
- XIII. Investing Cash, this section not applicable to the World Bank Designated account, as DA are deposited in current accounts that are non-interest earning. In case any benefits or interests are collected those need to be returned back to the benefit of the Project.