Caritas
JERUSALEM

Financial Manual

January 2024

Caritas
JERUSALEM

Approval Statement

This manual has undergone comprehensive review by the Caritas Jerusalem Executive Committee on February 13, 2024, and has been officially approved by the President of Caritas Jerusalem his Beatitude Cardinal Pierbattista Pizzaballa on February 19, 2024.

The effective date of this manual is the 1st of April 2024.

+ Pierbattista Pizzaballa

President's Signature:

CARITAS JERUSALEM
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PART 1: INTRODUCTION

1.1 Objectives of the Manual

This manual delineates accounting policies and financial management procedures for adherence by Caritas Jerusalem. It serves as a guide for day-to-day implementation, providing practical assistance with examples, standard forms, sample policy documents, and accounting tools. The manual aims to ensure consistency, internal controls, and accountability in financial transactions.

Objectives:

Following are the objectives of this manual:

a. Standardized accounting procedures

b. Guidance for staff

c. Assistance for new staff

d. Uniformity and order

e. Standard accounting forms

f. Basic internal controls

g. Fund utilization discipline and accountability

h. Assistance to management for efficient monitoring

i. Accurate and timely financial reporting

1.2 Updating

The manual is a dynamic document reflecting operational requirements. It should be updated as needed to align with changes in Caritas Jerusalem's policies and the broader donor community.

1.3 Commencement

Effective from January 1, 2024, this manual applies universally to all financial transactions conducted in the name of Caritas Jerusalem.

1.4 Conclusion

The Finance Manual serves as a comprehensive guide to the finance and accounts function of Caritas Jerusalem, incorporating best practices within the operating environment.

PART 2: BASIS OF ACCOUNTING

2.1 Financial Accounts

Basis of Accounting**:** Caritas Jerusalem meticulously adheres to a comprehensive accrual basis in its financial accounts. This practice ensures that income is recognized upon earning, while expenses are diligently recorded when incurred. Operating on a fiscal year calendar year, from April 1 to March 31, the organization employs the New Israeli Shekels (NIS) as its reporting currency. When necessary, specific reports in alternative currencies can be generated in accordance with donor agreements.

2.2 Money Measurement

Monetary Expression**:** In accordance with standard accounting principles, transactions within the accounting system are exclusively recorded if expressible in monetary terms. This meticulous approach ensures clarity and precision in financial reporting.

2.3 Full Accrual Basis of Accounting

2.3.1 Overview: Caritas Jerusalem upholds a steadfast commitment to the full accrual basis in the intricate preparation of its financial statements. This approach ensures a comprehensive and accurate portrayal of all financial activities.

2.3.2 Revenue Recognition: Funds received from donors are promptly credited directly to the relevant project, with revenue recognition occurring only when received rather than when pledged.

However, to prevent a negative ending balance in the project financial summary, it is essential to explicitly state that any additional project expenditures were covered by the general fund. This is achieved through the reclassification under the "Unrestricted Net Assets" column.

2.3.3 Expense Recognition: Expenses are recognized in the month they are incurred, fostering accuracy and transparency. Payments occurring in subsequent months necessitate accrual in the month of the initial expenditure. At the close of the fiscal year, all outstanding expenses are appropriately accrued, ensuring a thorough representation of financial obligations.

Example: Suppose an expense is incurred in December but paid in January:

- Debit: Project Expense
- Credit: Accrued Expenses

In January when the payment is made:

- Debit: Accrued Expenses
- Credit: Bank

2.3.4 Accounts Payable: Instances where an invoice is received but not settled until the following month are treated as Accounts Payable. This meticulous handling ensures a comprehensive recording of financial commitments and obligations.

Example: If an invoice is received in December but paid in January:

- Debit: Project Expense
- Credit: Accounts Payable

In January when the payment is made:

- Debit: Accounts Payable
- Credit: Bank

2.4 Fixed Asset Purchases

2.4.1 Capitalization and Depreciation: Purchases of fixed assets undergo meticulous capitalization and subsequent depreciation, aligning with the comprehensive guidelines articulated in Caritas' Fixed Asset policy detailed in Part 11. This approach ensures a systematic and accurate portrayal of the organization's capital investments.

Example: When a fixed asset (e.g., a computer) is purchased:

- Debit: Fixed Asset (Computer)
- Credit: Bank

2.5 Stock

2.5.1 Expense Recognition: Caritas Jerusalem adopts a practice of fully expensing stock purchases within the acquisition period, emphasizing transparency and timeliness in recognizing expenditures. This approach is thoroughly detailed in Part 12.

Example: When stock is purchased:

- Debit: Stock Expense
- Credit: Bank

2.6 Contributions In-Kind

2.6.1 Recognition in Financial Records**:** Contributions in kind, manifesting as donated commodities, are meticulously recognized in the financial records of Caritas Jerusalem. Accounting entries encompass debiting the relevant project expense or fixed asset account and crediting the project contribution revenue account. The contribution's value is assessed based on the actual invoice price covered by the donor, or in the absence of such information, it is determined at the market value as of the date of receipt.

Example: When goods are contributed in kind:

- Debit: Project Expense (or Fixed Asset)
- Credit: Project Contribution Revenue (In Kind)

These entries provide a comprehensive framework for recording transactions in alignment with Caritas Jerusalem's robust financial policies. Adjustments may be made based on specific circumstances and amounts involved.

PART 3: ACCOUNTING SYSTEM

3.1 Introduction

The accounting system is the bedrock of Caritas Jerusalem's financial framework, encompassing a suite of methods and records meticulously designed to facilitate the identification, assembly, analysis, classification, recording, and reporting of the organization's transactions. Its core mission extends beyond mere record-keeping, aiming to maintain a robust accountability structure for associated assets and liabilities.

An effective accounting system is characterized by the following considerations:

- **Identification and Recording of Transactions:** It is paramount to systematically identify and record all valid transactions promptly to ensure a comprehensive and accurate financial record.
- **Accurate Recording in the Proper Time/Period:** Transactions are meticulously recorded within the appropriate time frame, allowing for an accurate reflection of the organization's financial status.
- **Proper Classification in Accounts:** Transactions are classified with precision, fostering a clear understanding of financial activities, and facilitating informed decision-making.
- **Presentation of Financial Statements and Disclosures:** The system ensures that financial statements and related disclosures are presented accurately, adhering to established reporting standards.
- **Formation of Traceable Audit Trail:** A traceable audit trail is established, providing a transparent record of financial activities crucial for audit purposes.

3.2 Accounting Software

Caritas Jerusalem relies on ERP MAX a locally developed accounting software renowned for its reliability and robust support. This software serves as the digital backbone, facilitating the efficient execution of various financial tasks.

3.3 Technical Set-Up

ERP MAX's implementation involves housing the General Ledger within Caritas Jerusalem. This centralized approach ensures that all financial transactions occurring in the West Bank and Gaza are meticulously recorded in the General Ledger located in Jerusalem. This centralized setup not only streamlines the recording process but also provides a consolidated view of the organization's financial health.

3.4 Manual Set-Up

In tandem with computerized accounts keeping, Caritas Jerusalem maintains essential books and forms to support day-to-day record-keeping. These include:

- **Cash Payment Voucher**
- **Cash Receipt Voucher**

This dual approach ensures resilience in financial operations, combining the efficiency of digital systems with the reliability of manual records.

3.5 Chart of Accounts

Jerusalem Caritas employs a meticulously structured Chart of Accounts, overseen by the Head of Finance. This chart assigns unique account numbers to every line item and sub-line-item present in the budget, letters of agreement, reports, and other financial documents. Any proposed additions or changes to this chart undergo scrutiny and approval by the Head of Finance, ensuring precision and consistency.

The Chart of Accounts is divided into segments, each serving a specific purpose in the organization's financial structure. The Finance office maintains a proactive approach by regularly updating and disseminating the Chart of Accounts to various projects within Caritas Jerusalem.

3.6 Maintenance of Chart of Accounts

The ongoing responsibility of maintaining the Chart of Accounts lies with the Head of Finance. Any proposed insertion or deletion of codes within the existing structure requires explicit approval from the Head of Finance. Each Department is furnished with a comprehensive Chart of Accounts tailored to their specific projects, ensuring relevance and accuracy.

An annual update ritual is observed, during the last month of the fiscal year and concluding before Year end, aligning with Caritas Jerusalem's dedication to financial accuracy, transparency, and adherence to the highest standards of accountability.

PART 4: INTERNAL CONTROL SYSTEM

4.1 Definitions and Key Considerations

The Internal Control System (ICS) at Caritas Jerusalem is a comprehensive framework encompassing a spectrum of activities, methods, and steps designed to ensure the seamless operation of organizational activities. Functioning as an integral part of robust organizational governance, the ICS covers established procedures, methods, and controls aimed at guaranteeing the proper functioning of all activities.

4.1.1 Objectives of an Internal Control System

The primary objectives of Caritas Jerusalem's internal control system are to provide reasonable assurance regarding:

- The achievement of organizational objectives.
- Adherence to policies and procedures.
- Confidence-inspiring operations within the organization.

Effective internal control at Caritas Jerusalem is designed to:

- Facilitate the organization in achieving its operational, financial reporting, and compliance objectives.
- Be integrated into management processes for planning, organizing, directing, and controlling.
- Ensure alignment with organizational objectives, minimize surprises, and promote operational effectiveness and efficiency.
- Reduce the risk of asset loss.
- Ensure compliance with laws and regulations.
- Guarantee the reliability of financial reporting.

4.2 Types of Internal Controls

4.2.1 Written Procedures

Caritas Jerusalem emphasizes the importance of well-documented policies and procedures as a cornerstone for effective internal control. This manual itself serves as an example of an internal control tool, providing guidance on financial and accounting matters.

Ensure that the following policies and procedures are available to staff.

4.2.2 Delegated Authority - Authorization and Approval Limits

Caritas Jerusalem adheres to clear delegation and authorization processes. The Secretary General, in consultation with the Head of Finance, appropriately delegates authority to staff for day-to-day operations. Authorization levels are documented, and approval of transactions is a meticulous process, emphasizing scrutiny and adherence to policies.

4.2.3 Segregation of Duties

Segregation of duties is critical to effective internal control. At Caritas Jerusalem, the approval function, accounting and reconciliation function, and asset custody function are separated among employees to minimize the risk of errors and inappropriate actions. Specific examples of segregation are outlined to ensure a robust control environment.

4.2.4 Reconciliations

Regular reconciliations are conducted to compare different sets of data, identify differences, and take corrective action. This practice ensures the accuracy and completeness of transactions.

4.2.5 Reviews by Management

Management engages in comprehensive reviews of reports, statements, and reconciliations, ensuring consistency and reasonableness. This includes budget-to-actual comparisons, identifying unexpected results, and resolving issues through documented processes.

4.2.6 Documentation of Transactions and Record Maintenance

Every accounting transaction at Caritas Jerusalem is supported by clear documentation explaining the nature, timing, and value of the transaction. The organization follows meticulous record-keeping practices, with a focus on documentation retention, storage, and systematic organization.

4.2.6.1 Retention of Records

Caritas Jerusalem adheres to 7 years retention period for accounting documentation, meeting both internal and external requirements. A clean, dry, and safe storage environment is maintained to ensure document integrity.

4.2.6.2 Location of Documentation

Decisions on whether supporting documentation is retained at project locations or centralized at the headquarters are made by the Head of Finance, with clear written instructions provided.

4.2.6.3 Storage of Documents

Stored documents are kept in a clean, dry, and safe area, ensuring easy accessibility and systematic organization.

4.2.6.4 Storage of Electronic Data

Critical electronic data is stored securely, with backup procedures in place to safeguard against data loss.

4.2.7 Information and Communication Systems

Effective control is maintained over information and communication systems, including electronic data. Access to computers containing financial information is restricted through password protection. Communication through emails is managed, and important information is disseminated through minutes of staff meetings, workshops, and seminars.

4.2.8 Safeguard and Maintenance of Assets

Caritas Jerusalem places significant emphasis on the safeguarding and maintenance of fixed assets, including meticulous documentation, labeling, physical verification, and periodic servicing. Strong internal controls are implemented for the management of cash and stock, including surprise cash counts and periodic stock counts.

4.2.9 Personnel

A competent and trustworthy workforce is essential for effective internal control. Caritas Jerusalem implements human resource policies, recruitment procedures, training programs, and performance evaluation processes to ensure the reliability of personnel in maintaining internal controls.

4.2.10 Legal Advice

Access to legal advice is considered a critical aspect of internal control. Caritas Jerusalem maintains retainer agreements with local lawyers or ensures ready access to legal advice for prompt resolution of legal matters.

4.2.11 Monitoring

Monitoring activities at Caritas Jerusalem include project monitoring and evaluation systems, regular field visits, self-assessment checklists, close communication between agencies, and internal audits. Management focuses on high-risk areas, utilizing spot checks and sampling techniques to ensure effective control. It is worth noting that CJ maintains a separate policy dedicated to the Monitoring, Evaluation, Accountability, and Learning (MEAL) process.

4.3 Risks

4.3.1 Risk Assessment

Caritas Jerusalem views risk management and internal control as interconnected elements in financial management. Risk assessment is a management responsibility, involving the identification of potential risks and the development of strategies to manage and prevent these risks.

4.3.2 High-Risk Areas

Identifying high-risk areas is crucial for effective risk management and internal control. Caritas Jerusalem considers areas such as cash handling, exchange losses, payroll, unfunded expenditure, contractual and legal exposure, donor relations, vehicles, other assets and stock, and personnel as potential high-risk areas.

4.3.3 Quantitative and Qualitative Impact Costs

Evaluation of potential risks includes both quantitative and qualitative impact costs. Quantitative impact costs cover tangible losses, while qualitative impact costs encompass intangible losses such as damage to reputation and loss of trust.

In conclusion, Caritas Jerusalem is committed to maintaining a robust internal control system, continually adapting to emerging risks and challenges, and ensuring the integrity, transparency, and effectiveness of its operations.

4.4 Internal Controls

Caritas Jerusalem recognizes specific risk areas within its financial management framework and employs comprehensive strategies to mitigate potential threats. The organization places a strong emphasis on internal controls to ensure the safeguarding of assets and maintain financial integrity. Here's an organized overview of these risk areas and the corresponding measures:

4.4.1 Cash Management

Risk Considerations:

- Management of cash at bank and in hand requires stringent internal controls.
- Authorization limits must be clearly defined, exemplified in a cash handling policy.

Internal Controls:

1. **Golden Rules for Cash Transactions:**
    - Always provide receipts for money received.
    - Obtain receipts for money paid out.
    - Separate cash coming in from cash going out.
    - Deposit surplus cash into the bank.
    - Establish clear procedures for receiving cash.
    - Restrict access to petty cash and the safe.
    - Minimize petty cash transactions.
2. **Supervision:**
    - Conduct surprise cash counts led by supervisors, managers, and internal auditor.
    - Restrict physical access to cash.

4.4.2 Exchange Losses

Risk Considerations:

- Risks arise from the revaluation of local currencies, pre-financing of non-NIS project agreements, and complex contracts involving multiple currencies.

Mitigation Strategies:

- Implement exchange rate risk management strategies.
- Ensure thorough financial evaluations for projects involving multiple currencies.

4.4.3 Payroll

Risk Considerations:

- Risks include inaccuracies in wages records and potential abuse such as "ghost employees."

Mitigation Strategies:

- Reconcile wages records monthly to ensure correct deductions.
- Implement controls to prevent abuse, particularly regarding fictitious employees.

4.4.4 Unfunded Expenditure

Risk Considerations:

- Unauthorized expenditure beyond agreed workplans and budgets.
- Non-payment of donor installments due to various reasons.

Mitigation Strategies:

- Adhere strictly to approved workplans and budgets.
- Monitor and report consistently to ensure compliance with donor requirements.

4.4.5 Contractual and Legal Exposure

Risk Considerations:

- Risks involve the inability to produce supporting documents for audits and potential litigation with former staff.

Mitigation Strategies:

- Maintain a comprehensive archive of supporting documents.
- Ensure clear and well-documented contracts to minimize legal exposure.

4.4.6 Vehicles

Risk Considerations:

- Risks related to vehicle use for private purposes and inadequate control over vehicle logbooks.

Mitigation Strategies:

- Enforce adherence to written procedures for vehicle use.
- Regularly review vehicle logbooks.
- Restrict physical access to vehicles.

4.4.7 Other Assets and Stock

Risk Considerations:

- Risks involve loss of stock, inadequate control over physical access, and outdated asset registers.

Mitigation Strategies:

- Implement regular physical counts for assets and stock.
- Keep asset registers up-to-date, especially during relocations.
- Ensure assets are adequately insured against fire and theft.
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4.4.8 Other Areas of Risk

Risk Considerations:

- Risks include unfunded staff termination benefits, improper backup procedures, virus corruption, use of pirated software, fraudulent travel expenses, and collusion with suppliers.

Mitigation Strategies:

- Adhere to proper procedures for staff termination benefits.
- Establish robust backup procedures for accounting and payroll systems.
- Implement measures to prevent virus corruption and prohibit the use of pirated software.
- Scrutinize travel expenses, receipts, and supplier interactions rigorously.

4.3.9 Quantitative and Qualitative Impact Costs

Risk Evaluation:

- Assess both quantitative and qualitative costs when evaluating potential risks.

Quantitative Impact Costs:

- Tangible costs include property and equipment losses, inventory, cash, damage and repairs, and legal action.

Qualitative Impact Costs:

- Intangible costs encompass loss of future grants, erosion of donor trust, and damage to reputation.

PART 5: INTERNAL AUDIT

5.1 Definition

The Internal Audit function at Caritas Jerusalem serves as an independent and objective evaluator, providing administrators and the Executive Committee with assessments of the effectiveness, efficiency, and application of internal controls related to accounting, finance, and overall organizational objectives. This evaluation ensures compliance with Caritas policies, regulatory requirements, and sound business practices. The Internal Audit function aims to offer assurance and consulting services, emphasizing risk identification, assessment, and control, while working collaboratively with management to enhance accountability across all organizational levels.

5.2 Purpose

The Internal Auditor conducts thorough reviews of Caritas records and operations, reporting results to both management and the Executive Committee. Committed to assisting the Secretary General and administrators in discharging their responsibilities effectively, the Internal Auditor delivers independent, objective, and timely services. This commitment extends to responding to requests for consulting services and contributing to continuous improvement. By employing a systematic and disciplined approach, the Internal Auditor evaluates and enhances risk management, control, and governance processes.

5.3 Values

The Internal Audit function is guided by core values:

- **Collaboration and Open Communication:**
    - Promoting collaboration, open communication, empowerment, and information sharing.
- **Respect:**
    - Fostering respectful relationships with other departments, appreciating individual differences and experiences.
- **Professionalism and Quality Service:**
    - Pride in providing quality, value-added services, demonstrating competence, responsiveness, and a commitment to excellence.
- **Fairness, Honesty, and Ethical Conduct:**
    - Upholding the highest standards of fairness, honesty, and ethical conduct, ensuring objectivity and confidentiality in all activities.
- **Adaptability and Innovation:**
    - Embracing new ideas, fostering flexibility, and encouraging creativity and innovation.
- **Personal Growth:**
    - Taking responsibility for personal growth to continually enhance the quality of work.

5.4 Authority

The Internal Auditor is authorized to:

- Access all Caritas records, physical properties, and personnel relevant to any function under review.
- Request assistance from all Caritas employees.
- Allocate resources, set frequencies, select subjects, and determine scopes of work for audits.
- Maintain independence to render objective reports, ensuring audit activities are free from external influence.
- Have full access to the Secretary General and the Executive Committee.
- Enter Caritas premises and request information from employees at reasonable times.
- Be free from undue influence in selecting activities to be examined and audit techniques to be used.

The Internal Auditor is not authorized to perform operational duties, initiate accounting transactions, direct employees, assume direct operational responsibility, or compromise independence.

5.5 Independence

To ensure independence, the Internal Auditor reports functionally to the Executive Committee and administratively to the Secretary General. The Board has final approval authority over hiring, firing, and salary changes for the Internal Auditor. Independence, both in fact and appearance, is emphasized, and conflicts of interest are to be avoided.

5.6 Responsibility

The Internal Auditor is responsible for:

- Developing an annual audit plan based on a risk-based methodology.
- Implementing the approved plan and special tasks requested by the Secretary General and the Board.
- Maintaining knowledge, skills, and certifications to meet requirements.
- Applying a prudent and competent approach to audit activities.
- Safeguarding documents and information obtained during reviews.
- Evaluating new or changing services, processes, and operations.
- Issuing periodic reports to the Secretary General and the Board.
- Informing about emerging trends and successful practices.
- Assisting in the investigation of significant suspected fraudulent activities.
- Considering external audit scope and work to optimize audit coverage.

The Internal Auditor uses a risk-based approach to review and appraise internal controls, data integrity, compliance, safeguarding assets, and overall organizational efficiency.

5.7 Liaison with External Auditor

The Internal Auditor collaborates with the external auditor to foster a cooperative relationship, reduce duplication of effort, share information appropriately, and coordinate the overall audit effort. All internal audit working papers and reports are made available to the external auditor.

5.8 Quality Assurance

To maintain high-quality internal audit work, the Internal Auditor:

- Develops and maintains comprehensive work reporting systems.
- Regularly reviews audit plans, reports, and working papers.
- Evaluates current Internal Audit operations.
- Ensures conformity with the Standards of the Institute of Internal Auditors and its Code of Ethics.
- Implements internal and external quality assurance programs.

5.9 Audit Scope

The Internal Audit function examines and evaluates the adequacy and effectiveness of Caritas's internal control systems to achieve organizational goals. The scope includes:

- Reviewing the reliability and integrity of financial and operating information.
- Ensuring compliance with policies, plans, procedures, laws, and regulations.
- Evaluating the effectiveness of internal control systems.
- Safeguarding assets and verifying their existence.
- Addressing specific operations as requested by the Secretary General and the Board.

5.10 Special Investigations

Caritas staff members are encouraged to report irregularities directly to the Internal Auditor confidentially.

5.11 Reporting

The Internal Auditor issues reports following each audit, distributing them appropriately. Management responds before the final report is issued, outlining corrective actions and timelines. The Internal Auditor is responsible for follow-up on findings and recommendations. Quarterly reports and a semi-annual summary are forwarded to the Executive Committee.

5.12 Audit Standards and Ethics

Internal audit work adheres to Generally Accepted Auditing Standards and the Institute of Internal Auditors' Code of Ethics. The Internal Auditor adopts the Codes of Ethics issued by the Institute of Internal Auditors and the Information Systems Audit and Control Association.

5.13 Accountability

The Internal Auditor is accountable to the Secretary General and the Executive Committee, managing the internal audit activity independently. Responsibilities include establishing policies, communicating audit plans, ensuring resource adequacy, providing comprehensive annual reports, and conducting various evaluations and verifications across Caritas operations. The Internal Auditor contributes to the organization's objectives through consulting, advising on controls and risks, and investigating fraud and fiscal misconduct.

PART 6: BUDGETS - A COMPREHENSIVE FINANCIAL GUIDE

6.1 The Role of Budgets

The budget, serving as the linchpin of Caritas Jerusalem's financial system, plays a pivotal role in the organization's fiscal framework. It delineates the funds required annually for achieving Caritas Jerusalem's objectives. This financial roadmap is multifaceted, addressing planning, fundraising, expenditure control during project implementation, and ongoing monitoring and evaluation.

6.2 Approaches to Budgeting

Caritas Jerusalem employs two fundamental approaches to budgeting:

6.2.1 Incremental Budgeting

This method anchors on the previous year's actual expenditure, with adjustments made through percentage increments or deductions. While efficient for routine expenses, it has limitations, potentially perpetuating inefficiencies, and hindering innovation.

6.2.2 Zero-Based Budgeting

In contrast, zero-based budgeting initiates anew, demanding comprehensive justification for every expenditure line. This meticulous approach fosters a well-planned and precise budget, encouraging thoughtful consideration of ongoing expenses.

6.3 Budgeting for Caritas Programs and Projects

The preparation of Caritas projects and overall budgets intertwines with the organization's long-term strategy. Each project aligns with strategic objectives, ensuring a cohesive approach to sustainable Caritas programs.

6.4 Determination and Control of Budget Limits

Budget limits for bilateral projects hinge on agreements with donors. Stringent adherence to these limits is paramount, with budget variances capped as set by donor. Prudent financial management ensures no excess expenditure, aligning with agreed-upon project scopes.

6.5 The Role of Finance Staff in The Budget

The synergy between finance and program staff is crucial in crafting a comprehensive budget. A deep understanding of Caritas' overall strategy enables finance staff to provide essential input, ensuring accurate budget preparation and coding alignment with the organization's accounting system.

6.6 The Budgeting Process

A well-orchestrated budgeting process comprises seven integral phases:

6.6.1 Phase 1 – Budget Preparation

Head of Departments collaborate with the Head of Finance, aligning program/project budgets with strategic goals. Approval from the Secretary General concludes this phase.

6.6.2 Phase 2 – Project Approval

Upon donor approval, the Head of Department and the Resources Development Manager notifies the Head of Finance, initiating the working mechanism after project approval.

6.6.3 Phase 3 – Work Mechanism after Project Approval

This phase involves financial planning discussions.

6.6.4 Phase 4 – The Spending Mechanism

Strict approval procedures, adherence to financial policies, and comprehensive tendering processes characterize the spending mechanism. Heads of Departments play a pivotal role in preparing agreements and overseeing financial transactions.

6.6.5 Phase 5 – Payment Request

Head of Departments meticulously submit payment requests, providing all necessary documentation to the Head of Finance for review and approval.

6.6.6 Phase 6 – Recording and Reconciling

Heads of Departments monitor expenditures, ensuring alignment with the budget. Rigorous reconciliation with accounting records precedes the submission of financial reports to donors.

6.6.7 Phase 7 – Submitting Important Documents

Heads of Departments submit crucial documents, including payment requests, to the Head of Finance, fostering transparency and accountability.

6.7 Budget Checklist

This checklist ensures the integrity and accuracy of the budget, covering general considerations and project-specific elements.

1. **General**
    - 1.1: Validate Excel spreadsheet formulae functionality.
    - 1.2: Confirm unit cost multiplied by units equals the total amount.
    - 1.3: Subtotal each section for clarity.
    - 1.4: Clearly identify the budget currency.
    - 1.5: Verify the grand total formula encompasses all subtotals.
    - 1.6: Ensure the budget is in a single currency, with transparent workings for conversions.
    - 1.7: Consistently apply exchange rates if utilized in budget workings.
    - 1.8: Use a named range/cell or consistent input for exchange rates.
    - 1.9: Facilitate easy reporting in the Accounting System through the budget format.
2. **Project Document Budgets**
    - 2.1: Align with the donor's required format.
    - 2.2: Consider including a summary page showing the budget by category.
    - 2.3: Address the donor's preference for a separate salary line for each staff member.
    - 2.4: Cross-check against donor guidelines for accuracy.
    - 2.5: Ensure alignment with the narrative in the Work Plan and Log Frame.
    - 2.6: Validate amounts based on recent experience and justify any deviations.
    - 2.7: Include realistic amounts for core costs.

- 2.8: Cover often overlooked costs like staff expenses, vehicle running costs, and audit fees.
- 2.9: Provide clear narrative explanations for each budget item.
- 2.10: Secure agreement from both project and finance staff on the budget.
- 2.11: Confirm final approval from project management and finance staff.

6.8 Using the Budget to Monitor and Control Expenditure

A monthly review of actual expenditures against the budget is imperative to gauge corrective actions. Three forms of corrective action—control, budget line revision, and donor realignment—ensure fiscal equilibrium and compliance with donor guidelines.

6.8.1 Corrective Action

1. **Control Overall Expenditures:**
    - Set expenditure limits where necessary.
    - Communicate limits clearly to avoid unauthorized spending.
    - Adjust spending to align with approved budgets.
2. **Review and Revise Budget Lines:**
    - Obtain senior management agreement for necessary revisions.
    - Reallocate funds between budget lines with justification.
3. **Donor Realignment:**
    - Keep donors informed of expenditure changes.
    - Submit timely requests for realignment.
    - Ensure approval aligns with project timelines.

6.8.2 Budget Realignment

Maintain clarity on committed and non-committed costs during realignment. Allocate sufficient funds to cover committed costs and be prepared to make reductions elsewhere.

6.8.3 Budget Revisions

Adhere to donor guidelines and seek advice when revising budgets. Timely communication with donors about major variances and proposed reallocations is essential for proper implementation.

6.9 Best Practices in Budgeting and Monitoring - Key Guidelines

Guidelines to follow:

1. **Achieve Budget Balance:**
    - Strive for a balanced budget to prevent the need to return unutilized funds.
2. **Realistic Cost Estimation:**
    - Ensure cost estimates are grounded, leaning towards a conservative approach when uncertainty exists.
3. **Harmonize Codes Across Systems:**
    - Align accounting system codes seamlessly with the established budget structure for clarity and consistency.
4. **Regular Senior Management Discussions:**
    - Foster open dialogues on budget positions with senior management monthly to promote transparency and strategic alignment.
5. **Consider Quarterly Realignment:**
    - Explore adjustments to the budget quarterly, especially if monthly discussions yield inconclusive results, ensuring ongoing financial alignment.

Guidelines to avoid:

1. **Guard Against Overly Optimistic Forecasts:**
    - Exercise caution to avoid overly optimistic income forecasts, promoting a prudent approach to financial planning.
2. **Verify Postings and Identify Variances:**
    - Scrutinize all postings rigorously, verifying variances to identify and rectify potential errors promptly.
3. **Avoid Unilateral Budget Changes:**
    - Refrain from making unilateral budget changes; engage project management and finance teams for collaborative decision-making.
4. **Prioritize Negotiated Revisions:**
    - Prioritize negotiated budget revisions with donors over year-end fund returns, fostering a cooperative and transparent relationship.

6.10 Effective Budget Monitoring and Analysis

Budget monitoring is a dynamic process crucial for maintaining financial health and achieving organizational goals. Caritas Jerusalem employs a comprehensive approach to ensure fiscal responsibility and transparency. The monitoring process involves regular analyses, adjustments, and strategic decision-making.

Frequency:

1. **Quarterly Analysis:**
    - Conduct a detailed assessment of financial performance against the budget every quarter.
    - Identify trends, challenges, and opportunities for timely corrective actions.
2. **Ad-Hoc Analyses:**
    - Perform additional analyses as needed in response to significant organizational changes, project developments, or external factors.
    - Ensure flexibility in the monitoring process to address emerging financial concerns promptly.

6.10.1 Quarterly Budget vs. Actual Analysis:

Objective: To evaluate financial performance, identify variances, and facilitate informed decision-making.

Process:

1. **Gather Financial Data:**
    - Collect detailed financial data, including expenditures, revenues, and commitments.
2. **Conduct a Comparative Analysis:**
    - Compare actual financial performance against the budget for the quarter.
    - Identify variances, both positive and negative, in expenditure and revenue categories.
3. **Root Cause Analysis:**
    - Investigate the reasons behind significant variances.
    - Distinguish between one-time occurrences and persistent trends.
4. **Adjustments and Corrections:**
    - Implement immediate corrective actions for critical issues.
    - Collaborate with relevant stakeholders to address ongoing challenges.
    - Revise the budget as necessary to reflect any approved adjustments.
5. **Documentation:**
    - Maintain detailed documentation of analyses, adjustments, and corresponding justifications.

6.11 Continuous Improvement and Communication:

a) Learning from Analyses:

- Incorporate lessons learned from quarterly analyses into future budget planning.
- Continuously refine budgeting processes based on feedback and experiences.

b) Transparent Communication:

- Communicate openly about budgetary challenges, adjustments, and successes.
- Foster collaboration between finance, project management, and other relevant departments.

c) Stakeholder Involvement:

- Engage stakeholders in the budget monitoring process.
- Encourage input from project managers, finance staff, and senior management.

d) Training and Capacity Building:

- Provide ongoing training to staff involved in budgeting and financial management.
- Enhance the organization's financial acumen through skill-building initiatives.

Through a proactive and multi-dimensional approach to budget monitoring, Caritas Jerusalem ensures financial resilience, aligns resources with strategic priorities, and adapts to the evolving needs of its programs and projects. This commitment to continuous improvement positions the organization for sustained impact and success.

PART 7: REPORTING FOR MANAGEMENT AND EXECUTIVE COMMITTEE

In this section, we delve deeper into the structure and purpose of financial reports, emphasizing their critical role in organizational transparency and effective decision-making.

7.1 Users of Financial Reports and their Needs:

1. **BoD and Executive Committee:**
    - **Objective:** Oversee the holistic progress of the organization.
    - **Need:** Periodic updates on organizational achievements and financial standing.
2. **Senior Management:**
    - **Objective:** Ensure the seamless management of projects.
    - **Need:** Detailed insights to verify project alignment with planned objectives.
3. **Project Managers:**
    - **Objective:** Monitor expenditure alignment and fund utilization.
    - **Need:** Regular updates on project expenditure, remaining budget, and spending projections.
4. **Finance Staff:**
    - **Objective:** Ensure monthly fund availability and adherence to budget.
    - **Need:** Accurate financial information for strategic decision-making.

7.2 Management Reports:

Objective: Track progress against budget and prompt corrective action.

1. **Timeliness:**
    - **Critical:** Monthly reports by the 15th of the following month Including cash flow, statement of activity, projects balances and funds available.
    - **Rationale:** Timely reports facilitate agile decision-making, preventing reliance on outdated data.
2. **Accuracy:**
    - **Importance:** Errors impact decision-making and credibility.
    - **Process:** Rigorous pre-circulation checks maintain professional control.
3. **Relevance:**
    - **Focus:** Concentrate on key financial information aligning with the agreed budget.
    - **Purpose:** Promote meaningful dialogue between project and finance staff on budget and expenditure matters.

7.3 Financial Reports:

7.3.1 Financial Position:

- **Purpose:** Offer a 'snapshot' of the organization's financial position.
- **Content:** Lists assets and liabilities, and net assets (restricted & unrestricted).

7.3.2 Statement of Activities:

- **Purpose:** Outline revenues and expenses for projects and the organization.
- **Insight:** Provides a comprehensive view of operating results.

7.3.3 Statement of Changes in Net Assets:

- **Purpose:** Outline the changes for the year for unrestricted and temporarily restricted funds of the organization.
- **Insight:** Provides a comprehensive view of changes in the organization Net assets.

7.3.4 Statement of Cash Flows:

- **Purpose:** Detail all cash inflows and outflows classified into operating, investing, and financing activities.
- **Clarity:** Enhances understanding of the organization's cash position.

7.3.5 Project Disposition Sheet

- **Importance:** A valuable tool offering a summary of critical information.
- **Highlights:**
    - Total income and expenditure for the entire program.
    - Financial position of individual projects at a glance.
    - Identification of projects needing attention due to deficits or surplus funds.
- **Content:**
    - Balance at the start of the year.
    - Year-to-date income and expenditure.
    - Balance at the end of the reporting period.
    - Income and expenditure forecast for the remainder of the year.
    - Forecast year-end balance.
- **Usage:** Guides users to delve into individual Statement of Activities for in-depth project analysis.

REPORT FREQUENCY:

- **Commitment:** Quarterly management reports.
- **Purpose:** Ensures a comprehensive and regular understanding of the organization's financial landscape.

Format: Project Financial Summary

Project Name	Beginning Balances	Additions (Income)	Releases from temporarily restriction for Expenses	Releases from temporarily restriction for Fixed Assets	Reclassification to Unrestricted Net Assets	End Balance
Project A	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Project B	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Project C	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX

Explanation:

- **Beginning Balances:** Balance brought forward from the previous period.
- **Additions (Income):** Income generated Year-to-Date.
- **Released from temporarily restriction for Expenses:** Expenditure incurred for funds initially earmarked for specific purposes.
- **Released from temporarily restriction for Fixed Assets:** Expenditure incurred for the purchase of Fixed Assets.
- **Reclassification to Unrestricted Net Assets:** Transfer of funds from restricted to unrestricted net assets.
- **End Balance:** balance at the end of the year.

This format provides a concise and organized overview of the financial status of each project, facilitating easy interpretation and analysis. Adjustments can be made based on specific project requirements or additional details needed.

However, to prevent a negative ending balance in the project financial summary, it is essential to explicitly state that any additional project expenditures were covered by the general fund. This is achieved through the reclassification under the "Unrestricted Net Assets" column.

7.3.6 Income Matrix

The Income Matrix report delineates the income generated and received and pledged from donors for each project throughout the year. Each project has a dedicated column, offering transparency on donor support for individual projects. This report is pivotal for evaluating donor dependency and is pertinent to a wide readership.

7.3.7 Statement of Activities for Each Project

This comprehensive report meticulously details income received from each donor, expenditure breakdown by specific budget lines, and the balance at the reporting period's conclusion. Noteworthy features include columns for year-to-date income, year-to-date expenditure, remaining budget expressed in currency, and the remaining budget as a percentage.

Incorporating both the full-year budget and the balance of the remaining budget, this report provides insights into various aspects:

- The remaining budget for each individual budget line, empowering Project Managers to manage their spending effectively.
- Identifying overruns in the full-year budget and pinpointing budget lines with unspent funds.
- Highlighting income lines with outstanding contributions from donors.

When reviewing this report, pertinent questions include:

- Understanding reasons for expenditure lines falling below or exceeding budget—whether due to delayed activity or cost variances.
- Assessing the acceptability of variances to donors and determining the need for approval in case of higher variances.
- Strategizing actions in case of negative project balances, considering potential fund inflows to address deficits.

7.4 Best Practices for Management Reports

Practices to follow:

- Ensure the reports are timely, accurate, and relevant.
- Meet the reporting deadlines consistently.
- Conduct a thorough review of the reports before dissemination.
- Foster a constructive dialogue between finance and project staff using the reports.
- Utilize this dialogue to actively monitor and control budgets effectively.
- Provide clear explanations for any significant variations and propose corrective actions where necessary.

Practices to avoid:

- Avoid if reports automatically generated from the accounting system are infallible. Regularly check report definitions to capture all relevant data accurately.
- Refrain from overspending on project budgets. Strict adherence to budgetary constraints is imperative for financial sustainability.

PART 8: DONOR REPORTING

Managing donor reporting poses significant challenges for organizations, particularly when dealing with diverse funding sources and their associated guidelines. Caritas Jerusalem recognizes the complexity of budgeting and reporting, especially when a project receives contributions from multiple donors. In this section, we outline essential aspects related to donor reporting, including donor guidelines, required reports, and crucial do's and don'ts.

8.1 Donor Guidelines

Upon receiving grant documentation, immediate and thorough reading is essential to understand the terms, conditions, and requirements of each donor. Caritas ensures that copies of donor guidelines are accessible to all staff involved in grant implementation. Key elements covered in donor guidelines include the implementation period, co-funding requirements, reporting frequency and format, external audit specifications, fund usage scope, procurement procedures, and administrative overhead limits.

8.2 Donor Reports

The primary financial reports demanded by donors during a project's lifespan include interim narrative and financial reports, budget revision requests, final narrative and financial reports, and an audit report. The project accounts in the accounting system must precisely mirror the budget lines agreed upon with the donor. Some donors may stipulate reporting in currencies other than NIS, with Caritas Jerusalem using the donor-specified exchange rates when applicable.

8.2.1 Interim Reports

Interim reports, typically covering a three-month period, are crucial for providing donors with a real-time view of project financials. Adherence to reporting deadlines is imperative, as some donors release subsequent funding only after approving interim reports. These reports may require additional columns for variance analysis. Noteworthy is the significance of aligning narrative and financial reports to ensure consistency.

8.2.2 Budget Revision Requests

Donor guidelines specify allowable variations in expenditure. Circumstances leading to deviations beyond permissible limits necessitate prompt budget revision requests, regardless of overspending or underspending. Special attention is given to budget lines for contingencies, aiming to minimize their use. In cases where the project's timeline may extend beyond the original period, a no-cost extension request can be submitted well in advance.

8.2.3 Final Reports

Submission deadlines for final reports, usually two to three months post-project completion, vary among donors. Compliance with donor guidelines ensures that all final report requirements are met, encompassing both narrative and financial aspects.

8.3 Checklist for Financial Reports for Donors

A comprehensive checklist based on donor guidelines ensures the accuracy and completeness of financial reports submitted to donors. This checklist covers various elements, including report format, donor and project details, implementation period, budget details, actual expenditure, variance analysis, currency representation, exchange rates, and adherence to spelling and filing protocols.

Financial Report Checklist for Donors	Status
Report Format:	• Confirm that the report adheres to the format specified by the donor.
Identification Details:	• Clearly display the name and address of Caritas. • Clearly present the name and address of the donor. • Include the name and department of the designated donor contact person.
Document Specifics:	• Display the correct title and reference number of the report.
Project Details:	• Specify the implementation period of the project. • Indicate the date of the final report and specify if it's quarterly, semi-annual, annual, etc. • Showcase the budget details.
Financial Performance:	• Clearly present the actual expenditure incurred to date and transfers received.
Variance Analysis:	• Exhibit the variance between actual and budgeted figures, both in monetary terms and as a percentage.
Currency Representation:	• At the top of each column, indicate the currency used.
Exchange Rates:	• Verify that the exchange rates used align with those specified by the donor. • If applicable, explicitly state the exchange rates used.
Consistency Check:	• Cross-verify the financial report against the narrative report to eliminate inconsistencies.
Explanatory Notes:	• Provide detailed notes explaining significant variances. • Cross-check explanations with the narrative report for consistency.
Accuracy Check:	• Manually verify all figures in the report to ensure accuracy.
Headings and Formatting:	• Confirm that full headings are present at the top of each page.
Quality Assurance:	• Conduct a thorough spell check to eliminate any typographical errors.
Verification Documentation:	• Initial and date all relevant sheets upon completion of checks. • File all documentation, including working papers, in the appropriate file.

8.4 Guidelines of Donor Reporting

Guidelines to follow:

- Meet reporting deadlines consistently.
- Produce accurate and verifiable figures.
- Thoroughly review reports before submission to donors.
- Keep donors informed of potential issues and request budget revisions when necessary.
- Ensure reports are sent to the correct recipient within the donor agency.
- Regularly update donors on project progress, seeking advice or support when needed.

Guidelines to avoid:

- Avoid underspending budgets, as it may create administrative challenges and project planning concerns.
- Refrain from overspending budgets, considering Caritas Jerusalem's lack of reserves to cover deficits.
- Do not revise budgets without prior donor approval.
- Exercise caution in spending contingency budget lines without written donor consent.
- Initiate requests for time extensions well before project completion to avoid complications.

PART 9: YEAR-END PROCEDURES AND EXTERNAL AUDIT

Year-end procedures and the external audit process are crucial components of financial management, embodying Caritas Jerusalem's commitment to transparency, accountability, and donor trust. This section outlines detailed steps and guidelines to facilitate a comprehensive financial manual.

9.1 Prior to Year-End

To ensure a seamless transition to year-end processes, consistent monthly monitoring of management accounts is essential. This practice not only saves time but also enhances accuracy. The financial team should ensure that the year-end accounts' first draft involves minimal additional work beyond regular monthly accounts.

9.2 Deadlines for External Audits

Meeting external audit deadlines is pivotal. To facilitate this, consider arranging interim audits before year-end. This allows auditors to conduct substantial vouching in advance. During the months of April to June finance staff availability, excluding public holidays, is crucial to meeting tight deadlines.

9.3 Checklist of Tasks Prior To Year End

During two months before fiscal year ends, a comprehensive checklist should be followed:

1. Perform an interim audit before year-end.
2. Aim for zero cash balances at various locations and the head office.
3. Bank any cash on hand on the last working day of the fiscal year to maintain zero cash on hand.
4. Complete reconciliations for bank accounts, cash accounts, and all Balance Sheet accounts.
5. Review debtor and creditor accounts for accuracy and realism.
6. Ensure accrued expenses are justifiable, committed, and supported by relevant documentation.
7. Review project balances, closing those completed and assessing carry-forward plans' acceptability to donors.
8. Verify the availability and adherence to terms and conditions of all donor contracts and agreements.
9. Recognize all donated commodities and gifts in kind in the accounts.
10. Maintain an updated Fixed Asset Register.
11. Address all items from the previous year's Management Letter.

9.4 External Audit

The external audit is a statutory requirement and offers an opportunity for internal improvement. Selecting external auditors lies with the Executive Committee, emphasizing rotation every five years for best practices.

The Internal Auditor collaborates with the external auditor to foster a cooperative relationship, reduce duplication of effort, share information appropriately, and coordinate the overall audit effort. All internal audit working papers and reports are made available to the external auditor.

9.5 Selection of External Auditors

Select auditors through a thorough process involving Caritas' procurement procedures for services, assessing profiles, experience, and qualifications, being a member of a national/international accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC), and making reasoned recommendations. Consider rotating audit firms every five to seven years for objectivity.

9.6 Audits Carried Out by Donors

Major donors may conduct audits at both organizational and project levels. Ensure agreement on the audit's Terms of Reference with donor auditors.

9.7 The Audit Report

The audit report must provide a 'true and fair' view. Avoiding qualifications or refusals to sign is crucial for maintaining donor trust. The Audited Report must include the main statements (Statement of Financial Position, Statement of Activities, Statement of Changes in Net Assets, Statement of Cash Flow, and related Disclosures). The audited financial statements need to be signed by the Treasurer and Secretary General for approval.

9.8 Management Letter

The Management Letter from external auditors includes observations, recommendations, and responses from Caritas management. Ensure all issues are addressed promptly to avoid repetition in subsequent audits.

9.9 Distribution of Audit Reports

Caritas management should take responsibility for distributing audit reports to donors promptly. This step fosters transparency and demonstrates the organization's commitment to accountability in financial practices.

PART 10: EXCHANGE RATES MANAGEMENT

Efficient management of exchange rates is critical for Caritas Jerusalem's financial accuracy and compliance. This section provides detailed guidelines for exchange rate practices, ensuring transparency and adherence to Caritas' financial standards.

10.1 Official Exchange Rates

Caritas Jerusalem relies on daily exchange rates for commonly used currencies, primarily sourced from the Bank of Israel A comprehensive file containing hard copies of the utilized exchange rates is maintained. For year-end closing, the rate on March 31st is applied.

10.2 Exchange Rates for Daily Transactions

Daily entry of exchange rates into the accounting system is imperative for accurate financial records. The exception arises when specific rates are mandated by funding agencies in project contracts. For instance, if donors specify a weighted average of actual exchange rates, these rates take precedence over Caritas's standard rate for reporting purposes only, and externally not through the accounting system.

10.3 Exchange Gains and Losses

Caritas adopts a policy of recognizing exchange gains and losses exclusively at year-end. During the year-end process, monetary assets and liabilities are revalued, and resulting gains or losses are acknowledged and recorded through journal entries and reflected in the statement of activities.

10.4 Converting to Local Currency

Any conversions into local currency must strictly adhere to legal procedures, either through authorized banks or licensed money changers. This ensures compliance with local laws and international financial regulations.

PART 11: FIXED ASSETS MANAGEMENT

Fixed assets represent a significant investment for Caritas Jerusalem, and their proper management is crucial for financial integrity. This section outlines comprehensive guidelines for the definition, accounting treatment, depreciation, fixed asset register, annual physical inventory, and disposal of fixed assets.

11.1 Definition

Fixed assets encompass items with a useful economic life exceeding one year, valued at over NIS 2,500 or the equivalent in another currency. Assets costing less than NIS 2,500 but having a useful life beyond one year are registered in the fixed asset register. Examples include motor vehicles, furniture, and office equipment.

11.2 Accounting Treatment

For assets < NIS 2,500: Fully expense in the year of acquisition.

For assets > NIS 2,500, evaluate based on funding source:

1. **Caritas paid cash for the fixed assets from its own funds (unrestricted).** The asset should be capitalized and depreciated over the relevant useful life.

The accounting entries are as follows:

Transaction	Debit	Credit
Purchase of Asset	Fixed Asset	Bank Account
Record Depreciation	Depreciation Expense	Accumulated Depreciation

2. **Caritas paid cash for the fixed asset out of project funds and Caritas can decide what to do with the fixed asset once the project is completed (becomes unrestricted).** The asset should be capitalized and on the same time recorded as expenses in the project. The asset should be depreciated over the relevant useful life. Reports to the donor show the asset as being expensed in the project.

The accounting entries are as follows:

Transaction	Debit	Credit
Purchase of Asset – Recorded as Expense	Capital Expenditures funded by donors	Bank Account
Capitalize of Asset	Fixed Asset	Capitalization of Expenditures funded by donors
Record Depreciation	Depreciation Expense	Accumulated Depreciation

3. **Caritas paid cash for the fixed asset out of project funds and Caritas can't decide what to do with the fixed asset once the project is completed (restricted).** The assets should be capitalized and recorded in the project. The asset should be depreciated over the relevant useful life. Reports to the donor show the asset as being expensed in the project.

The accounting entries are as follows:

Transaction	Debit	Credit
Purchase of Asset	Capital Expenditures funded by donors	Bank Account
Capitalize of Asset	Fixed Asset	Deferred Liability - Project Assets
Record Depreciation	Depreciation Expense	Accumulated Depreciation

4. **Fixed asset donated to Caritas (unrestricted):**

Transaction	Debit	Credit
Contribution of fixed asset	Fixed Asset	Project Contribution Revenue – In-kind income from donor
Record Depreciation (if applicable)	Depreciation Expense	Accumulated Depreciation

5. **Fixed asset donated to Caritas (restricted):**

Transaction	Debit	Credit
Contribution of fixed asset	**Fixed Asset**	**Project Contribution Revenue – In-kind income from donor**
Record Depreciation (if applicable)	**Depreciation Expense**	**Accumulated Depreciation**

11.3 Depreciation

Depreciation is calculated on a straight-line basis. Useful lives for different categories:

Asset Category	Depreciation Percentage
Buildings	2%
Vehicles	15%
Office Furniture	10%
Equipment and Computers	20%
Medical Equipment	15%
Leasehold Improvements	10%

Note: Land is not depreciated.

11.4 Fixed Asset Register

A comprehensive Fixed Asset Register must be maintained by the procurement officer and overseen by financial department, including:

Field	Contents
Asset Register Number	- Unique reference number assigned upon purchase. - Marked on the asset for easy verification and enhanced security.
Category	- Broad grouping (e.g., motor vehicles, computer equipment). - Facilitates analysis and potential insurance requirements.
Description	- Briefly describes the asset (e.g., Dell Laptop Computer).
Model Number	- Records the model number if applicable (e.g., Latitude E6500).
Serial Number	- Unique supplier-issued serial number for electrical and mechanical items.
Registration Number	- For motor vehicles and motorcycles, includes registration number. - Note: Changes may occur due to import taxes, requiring detailed record-keeping.
Location	- Physical placement of the asset, indicating assigned personnel.
Date of Purchase	- Records the date when the asset was acquired.
Purchase Price	- Specifies the cost of the assets. - If donor-funded, includes the donor's contribution, with relevant recording.
Voucher Number	- Internal accounting voucher number tracing back to the original transaction.
Donor Details	- Captures donor information, percentage of donor funding, and grant agreement or contract number. - Aids in donor reporting and highlights use or disposal restrictions.
Warranty	- Includes details of supplier warranty or guarantee.
Current Condition	- Brief assessment (e.g., "Excellent," "Good," "Poor," "Not working"). - Regularly updated, particularly after the annual fixed asset inventory check.
Insurance Details	- Documents insurance policy specifics. - Explanation provided if insured amount significantly differs from the current value.
Disposal Details	- Records information related to asset disposal (e.g., date, sale price, purchaser, scrapping details).

Hard and soft copies, especially in Excel, should be retained, with duplicates stored off-site for disaster recovery.

11.5 Annual Physical Inventory

Objective: Ensure accurate and up-to-date records of fixed assets through a comprehensive physical check.

Procedure:

1. **Frequency:** Conduct a thorough physical inventory annually.
2. **Verification Team:** the procurement officer and Internal Auditor or finance staff for credibility.
3. **External Auditor Presence:** External auditors should be present during year-end checks for additional validation.
4. **Regular Checks:** Consider performing regular checks during the year to enhance accuracy and identify discrepancies promptly.

Importance:

- **Accuracy Assurance:** Validates the accuracy of the Fixed Asset Register.
- **Identifying Discrepancies:** Enables timely identification and resolution of discrepancies.
- **External Validation:** Presence of external auditors adds credibility to the process.

11.6 Motor Vehicles, Furniture, and Office Equipment

Objective: Plan and manage the annual acquisition and disposal of motor vehicles, furniture, and office equipment.

Procedure:

1. **Annual Plan:** Develop a comprehensive plan outlining purchases and sales for the specified assets.
2. **Payment Methods:** Clearly define methods for payment, ensuring transparency and adherence to financial policies.

Importance:

- **Financial Planning:** Facilitates budgeting and financial planning for asset management.
- **Asset Lifecycle Management:** Ensures systematic handling of assets from acquisition to disposal.
- **Cost Control:** Helps control costs associated with these significant assets.

11.7 Disposal of Fixed Assets

Objective: Ensure a transparent and approved process for the disposal of fixed assets.

Procedure:

1. **List Submission:** Compile a list of assets intended for disposal.
2. **Approval Process:**
    - Send the list to the Secretary General for approval.
    - The Head of Finance finalizes the tender in cooperation with procurement officer.
3. **Public Tender:** Advertise a public tender for asset disposal.

- All staff members have equal opportunities to tender.

4. **Donor Approval:** Seek donor approval if required, considering any restrictions outlined in grant agreements.
5. **Proceeds Handling:**
   - Credit proceeds appropriately, adhering to donor guidelines.
   - If applicable, refund proceeds to the donor or credit them to the relevant project(s).

Importance:

- **Compliance:** Ensures adherence to donor requirements and local agreements.
- **Fairness:** Involves a transparent process, providing equal opportunities for all staff members.
- **Financial Accountability:** Proper handling and crediting of proceeds maintain financial accountability.

11.8 Fixed Assets – Guidelines

Guidelines to follow:

- Register all assets under Caritas Jerusalem (Lands & Buildings to be registered under the Latin Patriarchate of Jerusalem unless legally or by donor requirement it is not doable).
- Transfer legal ownership during disposal.

Guidelines to avoid:

- Register assets in Caritas Jerusalem's name if bought by staff.

PART 12: STOCK

12.1 Accounting Treatment

Caritas adopts a practice of fully expensing all stock purchases during the month of acquisition. This involves charging the cost to one or more specific projects rather than debiting it to a Stock or Inventory account in the Balance Sheet. Typically, stock is procured for project-specific purposes, and securing funding for maintaining a general inventory is often challenging.

IFRS standards dictate that "for-profit" or commercial organizations should debit stock to the Balance Sheet and recognize it in the Profit and Loss when the stock is consumed.

12.2 Record Keeping and Forms

Despite the practice of fully expensing stock purchases, robust procedures must be established for recording and monitoring the receipt and distribution of stock. Given the inherent risks associated with misappropriation, as well as potential issues related to poor warehousing conditions and practices, effective internal controls are crucial.

The day-to-day operations of the store's function typically fall under the purview of specialized Logistics staff. Depending on the size and nature of the warehousing operation, the Inventory officer may report directly to the Head of Finance. Regardless of reporting lines, it is the responsibility of the Head of Finance to ensure the establishment, documentation, and implementation of a sound stock control system. Any deficiencies in this system should be promptly communicated to the Secretary General.

Key documents for recording transactions include, at a minimum:

Goods Received Note (GRN): Upon receipt, the Inventory Officer, Procurement Officer, or designated project staff meticulously inspect delivered stock. This involves an immediate check of quantity, quality, weight, etc., to ensure conformity with the goods ordered and described on the delivery note. If correct, an authorized staff member issues a pre-numbered Goods Received Note (GRN) to the supplier.

An example Goods Received Note is on the next page.

Example - Goods Received Note

CARITAS JERUSALEM
Notre Dame Center
P.O. Box 31426

GOODS RECEIVED NOTE

Number (pre-numbered) **Date**

Suppliers Name

Supplier Invoice / Delivery Number **Caritas Purchase Order Number**

Stock code	Description	Unit	Quantity received	Remarks

Goods Received in……………………… Store…………………………… (Location)

Received by: **Approved by:**

Signature **Signature:**

Date **Date:**

Original: Finance **Yellow: Logistics** **Green: Book Copy**

Stock Cards

To streamline warehouse operations, a stock card for each distinct line of stock should be maintained at the location where the stock is stored. These cards must be consistently updated with any changes resulting from stock receipts or issuances.

Example - Stock Card

CARITAS JERUSALEM	
Stock	
Item	
Stock code	**Unit**
Warehouse Location	**Minimum re-order level**
Details of Stock Movements	

Date	GRN / SRN No.	In	Out	Balance	Remarks

Stock Release Note (SRN)

For every instance of stock issuance from the stores, it is imperative to generate a Stock Release Note (SRN). This document requires the signature of authorized project staff responsible for project expenditure. Upon stock issuance, the Stock Release Note should be endorsed by the staff authorized to release the stock and the staff member receiving the stock, ensuring a comprehensive record of the transaction.

Example - Stock Release Note

<table>
<tr><td colspan="5">CARITAS JERUSALEM</td></tr>
<tr><td colspan="5">STOCK RELEASE NOTE</td></tr>
<tr><td colspan="2">Project No.</td><td colspan="2">Location</td><td>Date</td></tr>
<tr><td colspan="4">Project Name</td><td>Account Code</td></tr>
<tr><td colspan="2">Requested by</td><td colspan="2"></td><td>Vehicle registration number</td></tr>
<tr><td>Stock code</td><td>Description</td><td>Unit</td><td>Quantity released</td><td>Remarks</td></tr>
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<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Stock released by</td><td colspan="3">Approved by</td></tr>
<tr><td colspan="2">Date</td><td colspan="3">Date</td></tr>
<tr><td colspan="2">Received in good condition by</td><td colspan="3">Date</td></tr>
</table>

Stock Register

To uphold meticulous inventory management, Caritas is required to maintain a comprehensive Stock Register or Inventory List. This vital document serves as a centralized repository for recording all stock-related transactions. Regular monthly updates to the Stock Register are essential, ensuring accuracy and providing an up-to-date overview of stock levels, movements, and valuations. This practice not only facilitates effective decision-making but also enhances accountability and transparency in Caritas's overall stock management system.

12.3 Physical Counts

Regular physical counts are imperative for maintaining accurate inventory records. An annual full count, conducted at year-end, ensures a comprehensive assessment of all items in the store. The presence of a finance team member during the count guarantees adherence to proper procedures and meticulous documentation. To enhance transparency and compliance, external auditors may also be involved in the year-end count.

Discrepancies between actual quantities on hand and recorded stock must be identified, investigated, and resolved. Documentation of this count, including any corrective actions taken, should be diligently maintained with the store's records.

12.4 Warehouse

Warehouses play a pivotal role in safeguarding stock. Proper maintenance is essential to ensure a secure and controlled environment. To achieve this:

- Store stock in a dry, dust-free space away from sunlight, excessive heat, or water to prevent damage and deterioration.
- Medicine is to be kept in airconditioned warehouses to be kept under preset temperatures in accordance with the factory/producer indications.
- Implement an organized arrangement for easy access, identification, and counting of individual stock items, including the use of shelves for smaller items, and categorizing stock.
- Employ clearly readable labels on pallets, cartons, storage shelving, and pallet rack positions. Use signs to identify aisles and designate floor storage areas with taped or painted floors.
- Maintain a regular cleaning schedule to remove debris and potential safety hazards, such as strapping, empty cartons, and bags.
- Ensure proper maintenance of warehouse equipment.
- Issue protective clothing to staff where necessary.
- For perishable commodities, prominently display expiry dates and regularly monitor product lifespan to prevent spoilage.
- Follow a first-in, first-out (FIFO) basis for stock usage and keep on-hand quantities as low as feasible for efficient project operations and cash flow.
- Develop annual plans to sell, recycle, or scrap items with no utility. Adequate security measures must be in place to protect warehouse contents.

12.5 Insurance

Maintaining adequate insurance coverage is crucial for protecting the value of stored items. Regularly assess and update insurance coverage to align with the current value of stored stock, ensuring comprehensive protection against unforeseen events.

PART 13: BANK ACCOUNTS

13.1 Selecting Banks

For effective financial management, Caritas ensures that funds are held in financially sound and reputable banks, preferably branches of local banks. The utilization of the local banking system is encouraged to minimize the reliance on cash. To maintain operational efficiency and financial control, the number of bank accounts should be limited to the essential minimum, reducing administrative workload and potential cash flow challenges.

13.2 Donor Requirements for Separate Bank Accounts

While donors may request separate bank accounts for their funds, Caritas aims to avoid unnecessary complexity. The Secretary General and/or Head of Finance engage with donors, emphasizing that the accounting system provides detailed information on fund disbursements, potentially obviating the need for separate accounts.

13.3 Opening Bank Accounts

New bank accounts can be opened at the discretion of the Secretary General, all of which should be in the name of "Caritas Jerusalem."

Bank File

A documentation file to be kept and overseen by the Head of Finance and maintained for each bank account, including bank agreements, account opening dates, authorized signatory lists, fee tariffs, correspondence with the bank, and closure confirmations for closed accounts. This meticulous record-keeping ensures transparency and compliance with banking procedures.

13.4 Bank Mandates

13.4.1 Authorized Signatories

All Caritas bank accounts should have specific authorized signatories, including the President of Caritas Jerusalem, Treasurer, Secretary General, Head of Finance, and a member of the Executive Committee as a back-up signatory. While non-Caritas signatories may be necessary in certain cases, their signatures must accompany those of Caritas signatories for transactional validity.

When changes occur in signatories or the opening of a new main bank account, the Head of Finance takes the following steps:

Steps	**Actions**
1.	Obtain signature cards and necessary documents from the local bank.
2.	Arrange for signatures from designated signatories.
3.	Deliver the signed documents to the bank.

13.4.2 Signing Authorities

For all financial transactions, including cheques, transfers, and internet banking, a minimum of two authorized signatories is required. The authority limit table determines the combination of type A, type B and Type C signatories based on the amount of expenditure.

Signatory	Signature Type
Treasurer, ExCom member (back-Up signatory)	**A**
Secretary General	**B**
Head of Finance	**C**

Amount of Expenditure	**Signatories**
Equal or below NIS 40,000	Two signatories as follows: **B and C**
Over NIS 40,000	Two signatories as follows: **A and B**

13.5 Currency

At least one bank account should be maintained in a "hard currency" such as US dollars. Local currency funds required for expenditures can be converted and transferred to corresponding local currency bank accounts. To mitigate the risk of devaluation, local currency bank balances should be kept at the minimum level necessary without unduly restricting operations.

13.6 Interest Earnings

Interest earned on bank accounts should be allocated to projects, with exceptions as per donor agreements. The Head of Finance decides on the level of local currency to be maintained and handles any required interest distribution.

13.7 Cheques

All cheques must be marked "Account Payee Only." Pre-signing of blank cheques is strictly prohibited. The Head of Finance ensures that cheque books are issued only to authorized staff bearing official Caritas ID cards and a letter signed by two account signatories.

13.8 Credit Cards

Two authorized credit cards (VISA) are issued to the Secretary General and the Head of Finance for Caritas expenses. All related expenses are reviewed and approved, with supporting documents reviewed by the respective approving authority. The Secretary General credit card is capped at ILS 30,000 and the Head of Finance credit card is capped at ILS 15,000.

13.9 Bank Reconciliations

Monthly reconciliations between bank statements and the books for all accounts including credit cards are mandatory. A detailed bank reconciliation, prepared separately for each bank account and currency, ensures accurate tracking of financial transactions, and reviewed by the Head of Finance

13.10 Bank Overdraft

Overdraft is allowed up to 200,000 shekels in each bank as a credit facility in case of liquidity shortages of less than one month. Long Term Loans is only allowed with the written approval of CJ President.

PART 14: CASH FLOATS

14.1 Cash Handling Policy

Recognizing the vulnerability of cash as a highly liquid asset, Caritas prioritizes minimizing its use due to the associated risks of misappropriation, theft, and potential injury to staff. The organization encourages non-cash transactions, such as payments through cheques or bank transfers, as they not only enhance security but also provide legal proof of payment and a transparent record of financial transactions.

However, acknowledging the inevitability of cash transactions, stringent controls are implemented as a critical component of the internal control framework.

14.2 Advance payment System for Cash Reserve and Petty Cash

The cash reserve and petty cash system operate on an advance basis. When the cash reaches a predetermined low level, it is replenished with the amount spent, maintaining a consistent float. The petty cash custodian submits an advance request to the Head of Finance

14.2.1 Procedures for Cash Floats

- The cash funds are secured in a designated cash box.
- Day-to-day petty cash expenses are disbursed from the cash box.
- During working hours, the cash box is secured in a locked drawer; at the close of business, it is stored in the safe.
- The approved amount for each cash advance is specified in writing by the Head of Finance.
- Cash held should not exceed the cheque signing authority limit for project office staff.
- Any exceptional withdrawal exceeding the limit requires prior written approval from the Head of Finance or the Secretary General.
- The advanced system mandates cheques to replenish the float, requiring the cash custodian to attach the cash book and supporting documentation for expenditure verification.
- Payments exceeding NIS 500 must be made by cheque unless prior written approval is obtained.
- No payments against IOUs or cash loans are permitted. “I Owe YOU” is a document that acknowledges the existence of a debt.
- Personal cheques are not accepted.
- On the last working day of the year, the balance on hand for all cash floats must be acknowledged with a cash custodian declaration certificate,

14.3 Cash Payments

All payments require proper authorization through a cash payment voucher. The Custodian making payments must not authorize expenditure.

Petty cash is not to be utilized to bypass the procurement process. A predetermined limit is set for the maximum expenditure payable from petty cash.

14.3.1 Procedures for Cash Payments

- Initiate a payment requisition on the official Payment Requisition form, completed by the requester and submitted for approval.
- Ensure all necessary supporting documentation is attached.
- The Head of Finance reviews the form for accuracy, budget coverage, and compliance with Caritas policies, signing it if details are correct.
- A finance staff member prepares a Payment Voucher, authorized by the Head of Finance, and sent to the Cashier for payment.
- The Cashier makes the payment, obtaining a receipt from the payee (official company receipt for companies; individual signature or ID copy for individuals).
- All transactions are promptly recorded in the cash book by the Cashier.

CARITAS - JERUSALEM

Request for Payment

Requested By: ______________________

Pay To: ______________________

Total Amount: ______________________

Payment Method: ______________________

Issue Date: ______________________

Currency: ______________________

Invoice No.	Project Name	Donor Name	Budget Item Line	Description	Amount

Requestor

Signature

Project Manager/Coordinator

Signature

Checked By: Head of Finance

Signature

Secretary General Approval

Signature

Remarks:

Please DO NOT fill - For Finance Dept. Use Only

Bank Name

Account number

Cheque Number

Cheque Preparation
Signature

Remarks:

14.4 Cash Receipts

Cash receipts, although typically not numerous, require diligent handling. The Cashier, utilizing official Caritas pre-numbered receipt vouchers, acknowledges and manages these transactions. In cases of frequent or substantial cash receipts, as in micro-finance projects, a comprehensive review of cash handling procedures is undertaken by the Head of Finance and the Project Manager to ensure robust controls.

Procedures for Cash Receipts

- Every cash receipt must be documented with an official receipt form.
- The Cashier, preferably in English, completes the form, specifying the budget line to be credited.
- Appropriate supporting documentation, such as contracts or bank transfer details, must accompany the form.
- The Cashier issues a receipt to the payer.
- Transactions are promptly recorded in the cash book by the Cashier.

14.5 Cash Counts

The Cashier is responsible for maintaining a cash book for each cash float, updated at least once daily.

Procedures for Cash Counts

- Daily counting by the Cashier ensures alignment between physically held cash and the cash book balance.
- The Cashier signs the cashbook, confirming reconciliation with the words "Agreed to cash float."
- A file documenting daily cash counts is maintained.
- Before leave, the Cashier and the designated replacement count and agree on cash, signing a form that includes verification of key handover.
- Surprise cash counts occur weekly, performed by the Project Accountant or Project Manager, with verification through a signed form.
- On the last working day monthly, a formal cash count, documented on an official form, is completed, verified by the Project Accountant, and approved by the Head of Finance.

14.6 Cash Limits

For security reasons, all cash held in Caritas offices, including cash floats, petty cash, cash receipts, cash advances, and cash payments, should be minimized. Payments by cheque are encouraged whenever possible. Written limits for total cash in each project office are established by the Secretary General and Head of Finance, never exceeding the typical monthly usage.

14.7 Security

Safes

- Each project office must have at least one fireproof safe.
- Whenever possible, safes should be securely cemented to the ground.
- Safes store cheque books, cash, and other critical documents.

Keys – Safe Keys

- Two copies of safe keys exist, with one securely stored off-site (e.g., bank safe deposit box) and the other held by either the Head of Finance or a senior manager designated by the Head of Finance, with the Secretary General's approval.
- For project office safes, key-holding responsibility is delegated to a senior staff member by the Secretary General and Head of Finance.

Keys – Cash Box Keys

- Only the Cashier holds the key to the cash box; no other staff should possess a key.
- The cash box is secured in the safe at the end of each day.
- Individuals holding the key to the cash box and the safe should be distinct.
- Written procedures are established for key-holding responsibilities during the key-holder's leave periods.

PART 15: ACCOUNTING FOR CASH AND BANK TRANSACTIONS

This chapter delineates the essential procedures and controls involved in executing and recording accounting transactions for cash and bank-related activities.

15.1 Payments

While there isn't a standardized form for the payment voucher, it is crucial that the chosen format confirms the completion of requisite checks, proper authorization, and includes the necessary details for posting the transaction in the accounting system. Implementing a pre-numbered system for payment vouchers enhances traceability, and Caritas may choose to either print its own vouchers electronically or obtain them from a commercial printer.

15.1.1 Payment Voucher

A comprehensive Payment Voucher form should, at a minimum, include the following:

- **Serial Pre-Numbering**: Each payment voucher should bear a unique serial number for tracking and audit purposes.
- **Payee Information**: Clearly state the name of the payee.
- **Account Details**: Specify the bank account or cash account from which the payment is made.
- **Currency and Amount**: Indicate the currency and precise amount of the payment.
- **Date of Payment**: Record the date on which the payment is made.
- **General Ledger Code**: Designate the General Ledger code to which the expense should be charged.
- **Expense Description**: Provide a detailed description of the expenses.
- **Preparer's Signature**: Include the signature of the individual who prepared the voucher.
- **Authorization Signatures**: Capture the signatures of the person or persons who authorized the payment.
- **Receipt Confirmation Signature**: If applicable, the signature of the person who receives the payment.
- **Posting Confirmation Signature**: The signature of the person responsible for posting the transaction to the accounting system.

Procedures for Payments

1. **Initiation:** The payment process begins with the initiation of a payment requisition on the official form, submitted by the requester.
2. **Documentation:** Ensure all necessary supporting documentation is attached to the payment requisition.
3. **Review:** The Head of Finance reviews the requisition for accuracy, budget compliance, and adherence to policies.
4. **Authorization:** Upon approval, a finance staff member prepares the Payment Voucher, which is then authorized by the Head of Finance.
5. **Payment:** The authorized Payment Voucher is sent to the finance office for payment processing.
6. **Recording:** The payment is promptly recorded in the accounting system by the responsible personnel.

This structured approach ensures transparency, accountability, and accuracy in the payment process.

Example - Payment Voucher:

Caritas Jerusalem

PAYMENT VOUCHER

Payee: ………………………………………………………………. **Voucher No.**

Bank or Cash Account Details: ………………. **Date:**……………………………………

Cheque Number – if applicable: ……………………………….

Account Code	Description of expenses	Currency	Amount
	Total amount of payment		

Prepared by: ………………………… **Approved by:** …………………………………………

Date: ……………………………………………………… **Date:** ……………………………………………………

Received by: ………………………………………………. **Posted by:** …………………………………………….

Date: ………………………………………………………… **Date:** ………………………………………………

15.1.2 Processing the Payment

Procedures for Processing Payments:

1. **Presentation:** Signed payment requisitions, accompanied by all necessary supporting documents, are presented to the Head of Finance by the Procurement Officer and/or the Head of the requesting department.
2. **Completeness Check:** Ensure that all fields in the payment requisitions are filled accurately.
3. **Supporting Documents:** Supporting documents include the ORIGINAL supplier invoice, a valid deduction at source certificate, a purchase order, and the goods received note (if applicable).
4. **Filing of Tender and Quotes:** To manage account files efficiently, tenders and quotes evidence will be filed separately in the Procurement Department. Accounting records focus on aspects post raising the Purchase Order.
5. **Required Supporting Documentation:** Examples include:
    - Salary Sheet for Salaries
    - Standard Format with Authorized Signatory for Overtime
    - Travel Authorization, Tickets, and Expenses Report for Travel
    - Monthly Bill with Receipt for Utilities
    - Quotations, Purchase Order, and Invoice for Office Supplies
    - Invoices, Statements, and Vehicle Logbook for Fuel and Lubricants
    - Repair Request Form, Invoice, and Agreement for Vehicle Repairs
    - Approved Proposal, Agreement, and List of Participants for Training
    - Approved Requisition, Purchase Order, and Invoice for Program Materials
    - Agreement, Terms of Reference, and Request Letter for Consultant
6. **Payment Voucher Preparation:** Finance staff prepares the Payment Voucher, ensuring all required supporting documentation is attached, properly authorized, and in compliance with the Purchase Order.
7. **Authorization:** The Head of Finance signs the Payment Voucher to authorize payment.
8. **Cheque or Bank Transfer:** The Cashier raises the cheque or initiates a bank transfer, stamping the invoice as paid.
9. **Authorized Signatories:** Authorized signatories sign the cheque or authorize the bank transfer after verifying the legitimacy of the authorization.
10. **Payment Confirmation:** Payment is made, and the payee signs the form to confirm receipt, providing an official written receipt.

11. **Recording in Accounting System:** Finance staff records the payment voucher in the accounting system if manual.
12. **Posting Batches:** Another finance staff clerk posts batches of transactions regularly, signing and dating each Payment Voucher.
13. **Filing:** The accounts clerk files Payment Vouchers with supporting documentation.

15.2 Receipts

Caritas employs a Receipt Voucher form to record received funds, summarizing the information required for the accounting system.

15.2.1 Receipt Voucher

A comprehensive Receipt Voucher must include:

- **Serial Pre-Numbering:** Each receipt voucher should bear a unique serial number.
- **Copy Distribution:** Original for the payer, one copy for the accounting department, and another for the archive in the case of manual receipts.
- **Payer Information:** Name of the person or organization from whom the money is received.
- **Account Details:** Specify the bank or cash account into which the money is received.
- **Currency and Amount:** Indicate the currency and precise amount of the receipt.
- **Date of Receipt:** Record the date on which the funds are received.
- **General Ledger Code:** Designate the General Ledger code to which the receipt is credited.
- **Receipt Description:** Provide a detailed description of the receipt.
- **Cashier's Signature:** Include the signature of the Cashier who receives the funds.
- **Posting Confirmation Signature:** The signature of the person responsible for posting the transaction to the accounting system.

Head of Finance Signature: The approval and signature of the receipt in addition to Caritas' official stamp.

Example - Receipt Voucher

Caritas Jerusalem

RECEIPT VOUCHER

Received from:…………………………………………………….. **Voucher No.**

Bank or Cash Account Details: ………………………………… **Date:**
…………………………………….

Account Code	Description of receipt	Currency	Amount
	Total amount received		

Received from: …………………………………………… **Approved by:** ………………………………………

Date: …………………………………………………………**Date:** ……………………………………………………

Received by: ……………………………………………… **Posted by:** …………………………………………….

Date: …………………………………………………………**Date:** ……………………………………………………

15.2.2 Processing the Receipt

Procedures for Processing Receipts:

1. **Money Receipt:**
    - Physically receive cash or cheques in the office.
    - Include funds received by direct bank transfer.
2. **Receipt Voucher Preparation:**
    - The cashier prepares and signs the Receipt Voucher.
    - Attach any relevant supporting documentation.
    - Verify the correct amount has been received.
3. **Authorization:**
    - The Head of Finance signs and stamps with Caritas official stamp the Receipt Voucher to authorize the receipt.
    - Ensure payer receives a signed Receipt Voucher, confirming receipt details.
    - Verify correctness of details entered on the Receipt Voucher, including the amount, code, and description.
4. **Record Keeping:**
    - Cashier updates the cash book, preferably immediately and at least once a day.
    - The accounts clerk records receipt transactions in the accounting system regularly, preferably daily and at least weekly.
    - Sign and date the Receipt Voucher for each posted transaction.
5. **Filing:**
    - Accounts clerk files the Receipt Vouchers.

15.3 Transfers Between Bank and Cash Accounts

When transferring between different bank accounts or from a bank account to a cash account, the Head of Finance decides whether to use a Transfer Control Account or not.

- **Using Transfer Control Account:**
    - For a transfer from Bank Account A to Bank Account B:
        - Record the payment in Bank Account A:
            - DR Transfer Control Account
            - CR Bank Account A
        - Record the receipt in Bank Account B:
            - DR Bank Account B
            - CR Transfer Control Account
- **Not Using Transfer Control Account:**
    - Record the transfer once with the posting reflected in both bank accounts simultaneously:
        - DR Bank Account B
        - CR Bank Account A

The use of Control Accounts helps reduce the risk of double-counting transfers.

15.4 Other Accounting Source Document

15.4.1 Journal Voucher

The Journal Voucher is essential for various non-cash transactions affecting Caritas operations, such as bank transfers between Caritas accounts, bank charges/interest, payroll, adjustments, corrections, currency conversions, reversing entries, closing entries, etc.

- **Supporting Documents:**
    - Attach pertinent supporting documents, including bank debit/credit advice and other relevant paperwork.
- **Preparation and Approval:**
    - Prepared by the Accountant/Finance Office.
    - Approved by the Head of Finance or their deputy.
- **Pre-numbering:**
    - Journal vouchers must be pre-numbered in chronological order throughout the fiscal year.

15.5 Financial Department

The department is structured to provide comprehensive support to the Head of Finance, with a resolute team of skilled professionals, each responsible for specific functions crucial to the organization's fiscal health.

Head of Finance:

- Oversees the entire financial operation.
- Offers strategic financial guidance to the organization.
- Collaborates with other departments to align financial practices with organizational goals.

Accounts Payable Officer:

- Manages the payment process, ensuring accuracy and timeliness.
- Prepares payments and meticulously records them against the respective accounts.
- Maintains clear communication with vendors and partners about payment schedules.
- Monitors accounts payable to prevent discrepancies and ensures compliance with financial policies.

Accountant:

- Issues receipt vouchers promptly for all financial transactions.
- Records journal vouchers meticulously, capturing the accruals of expenses accurately.
- Ensures adherence to accounting standards and practices.
- Provides support during audits and financial inspections.

Reconciliation Officer and Reporting:

- Holds a crucial role in keeping financial integrity.
- Prepares comprehensive bank reconciliations to guarantee accuracy in financial records.
- Manages suppliers' reconciliations, fostering strong financial relationships.
- Monitors and follows up on project reporting, ensuring financial data aligns with project goals.
- Takes the lead in the preparation of budget utilizations.

5- Budget Control and Collections Officer:

- Manages the budgeting process, including the development, monitoring, and analysis of budgets.
- Monitors expenditures against approved budgets and identifies variances for corrective action.
- Coordinates with departments to ensure adherence to budgetary guidelines and policies.
- Oversees collections, ensuring prompt and efficient collection of receivables.

By delineating these roles, the Financial Department ensures a robust and efficient financial management system. The constructive collaboration among the team members guarantees that financial transactions are accurately recorded, payments are processed promptly, and reconciliations are diligently conducted. This division of responsibilities not only enhances internal controls but also contributes to the organization's overall financial transparency and accountability.

PART 16 STAFF ADVANCES

Advances are categorized into two types: Personal Advances, which are for non-Caritas expenses, and Work Advances, which cover expenses incurred during Caritas business activities. This section outlines the procedures and considerations for providing and accounting for both types of advances.

16.1 Personal Advances

16.1.1 Salary Advances:

- **Authorization:** Secretary General
- **Conditions:** Only in exceptional/urgent circumstances, the advance should not exceed 50% of the employee's monthly salary and should be deducted from the same month's salary **Request Submission:** Staff submits the request to their director, then to Secretary General
- **Probation Period:** Salary advances not authorized during the probation period.

16.1.2 Limits to Personal Advances:

- **Amount:** Should not exceed the equivalent of one half of month's salary.
- **Repayment:** Advance to be, repaid. within the same month.
- **Monitoring:** Regular monitoring by Head of Finance.

16.1.3 Accounting for Personal Advances:

- **Staff Debtor Account:** Set up the accounting system for each staff member with a personal advance.
- **Separation:** Separate accounts for personal and work advances.
- **Transaction Recording:** All personal advance transactions entered the staff member's personal advance account.

16.2 Work Advances

- **Justification:** The size of work advances justified in relation to intended expenditure.
- **Request Process:** Staff completes Work Advance Request form for approval by Head of Finance and Secretary General or an authorized person.
- **Approval Check:** Person authorizing checks the reasonability of estimated expenditure before approval.
- **Indicative Nature:** The Work Advance Request form serves as an estimate and is not an accountability document.
- **Expense Liquidation:** Staff submit a separate expense form with full supporting documentation when settling the advance.

Example - WORK ADVANCE REQUEST

Caritas – Jerusalem				
WORK ADVANCE REQUEST				
Name:	Date:		Account No.	
Reason for advance:				
Description of anticipated expense	**Unit**	**Unit cost**	**Number of units**	**Total cost**
Requested by: Date:	Authorized by: Date:			
Issued by: Date:	Received by: Date:			
NOTE: This advance is made on the conditions that it must be acquitted within five working days after return from travel, and that if it is not acquitted within 30 days the full amount will be				

16.2.1 Limits to Work Advances:

- **Justification**: The advanced amount must be in relation to intended expenditure with a maximum of NIS3,500 unless a greater amount is approved by the Secretary General.
- **Accounting Deadline:** Work advances accounted for within five working days of return to the office.
- **Balance Check:** Head of Finance ensures the work advance account remains reasonable.
- **Refund Requirement:** Advance provided only when all previous advances settled, and unspent balance refunded to the cashier.
- **Overdue Advances:** If not settled, deducted in full, from the individual's next salary payment.
- **Review of Advances:** The Head of Finance reviews regularly the advances and recommends increasing or decreasing the advanced ceiling.

16.2.2 Accounting for Work Advances:

- **Staff Debtor Account:** Set up for each staff member with a work advance.
- **Balance Sheet Accounts:** Work advance accounts treated as Balance Sheet accounts.
- **Separation:** Separate accounts for personal and work advances for each staff member.
- **Quarterly Confirmation:** Printout of each work advance account handed to the staff member for signing until a zero balance is achieved.

16.3 Currency of Advance:

- **Repayment Currency:** Local currency advances repaid in local currency; hard currency advances accounted for in hard currency.
- **Dual Advances:** If a staff member receives advances in both local and hard currency, separate advance accounts are opened for each currency.

16.4 Termination of Service:

- **Repayment at Termination:** Upon leaving Caritas, all advances (personal and work) must be repaid in full before the end of employment.
- **Head of Finance 's Responsibility:** Head of Finance responsible for deducting any outstanding balance from the final salary payment if repayment is not made.

PART 17 BUSINESS TRAVEL EXPENSES

17.1 Air Travel:

- **Cost Considerations:** All air travel to be based on the lowest available fares and in economy class except for long-distance trips exceeding twelve hours, which require prior approval from the Secretary General

- **Procurement Procedures:** Subject to standard procurement procedures, including obtaining required quotations.

17.2 Travel Expense Reimbursement:

- **International Travel Reimbursement:** Staff reimbursed upon presenting original receipts with a Travel Expense Claim form.

- **Reasonable Expenditure:** Items reimbursed if reasonable and related to the purpose of travel. Final decision by Secretary General in case of disputes.

- **Lost Receipts:** Staff providing a signed statement, explaining loss of receipts, may claim expenses; reimbursement at the Secretary General's discretion.

- **Per Diem Entitlement:** Staff entitled to a per diem covering accommodation and meals when travelling on the employer's business. The daily rate will be published on an annual basis for each region/country.17.3 Travel Approval:

- **Staff's Travel:** Advance approval is required in writing from the Secretary General for international business.

- **Other Staff Travel:** Advance approval required from the Secretary General for international business travel by other staff.

17.3 Duty Travel Funded by Other Organizations:

- **Cost Recovery:** Travel costs incurred must be recovered from the requesting organization.

- **Caritas Expense Consideration:** Caritas may consider covering expenses if the requesting organization cannot. Approval by the Secretary General is required, expressed in writing with estimated amounts before travel.

- **Per Diem Consideration:** Per diem paid only if the requesting organization confirms in writing that they will not cover any per diem. Payment at the discretion of the Secretary General, expressed in writing before travel.

17.4 Staff's use of Personal Vehicles for Work:

- Employees may use their personal vehicles for work-related travel when necessary and with prior approval from their supervisor.
- Personal vehicles should be well-maintained, insured, and comply with all relevant safety and legal requirements.
- Reimbursement will be provided for eligible work-related kilometers driven using personal vehicles.
- The standard mileage rate for reimbursement will be in accordance with an approved specific rate, "standard mileage rate" as approved by the Head of finance and Secretary General.
- Employees must submit accurate and timely mileage reports, detailing the purpose, destination, and miles traveled for each trip.

PART 18 PAYROLL

18.1 Payroll System:

- Caritas can outsource its payroll management to a consulting firm for Israeli tax declared salaries Caritas has the option to manage payroll internally.

18.2 Processing the Payroll:

- Changes to payroll must be based on approved and authorized documents.
- Monthly changes communicated to the Head of Finance by HR Officer, supported by appointment letters for new employees and memos for existing staff.
- The HR Officer submits the overtime and additional payment schedule.
- The finance department advises a consulting firm of necessary payroll deductions.
- After payroll run, Payroll Summary provided to HR officer for verification; signed by HR officer confirming accuracy.
- The Head of Finance verifies payroll changes, checks entitlements, and random checks payroll calculations, signs, and dates Payroll Summary.
- Secretary General reviews and provides final authorization signature over the payroll disbursements.
- Payroll Summary returned to accounting department for payroll journal posting.

18.3 Payroll Disbursements:

- Net pay settled via direct transfer to staff bank accounts.
- Cash payments minimized; if necessary, staggered or varied for security.

18.4 Payroll Journal:

- Ensures proper recording of all payroll costs.
- Statutory deductions paid to relevant authorities.
- Salary costs recharged to projects.
- Example Payroll Journal:
    - DR Control Account - Staff Costs (Total cost of employment)
        - CR Control Account - Net Pay (Value of net pay)
        - CR Control Account – Income Tax (Value of income tax)
        - CR Control Account – Social Security (Total value of social security contributions)
        - CR Control Account - Pension Fund (Value of Staff Pension Fund contributions)

18.5 Payroll Files:

- Maintain organized filing system containing:
    - Original payroll summaries with authorizing signatures.
    - Documentation explaining changes to payroll.
    - Copies of individual pay slips.
    - Copies of staff signatures for cash payments.
    - Correspondence with tax authorities.
    - Records of staff deductions and contributions.

PART 19: PERSONNEL MANAGEMENT

Efficient personnel management is paramount to the seamless functioning of any organization. Recognizing the potential costs and disruptions associated with high staff turnover, Caritas places a strong emphasis on maintaining a professional approach to human resource management. As the organization expands its focus into soft component areas such as staff well-being, careful attention to payroll costs becomes crucial, particularly under the scrutiny of donors and auditors.

19.1 Staff Personnel Policy

In alignment with a commitment to professionalism, Caritas adheres to a comprehensive Administrative and Human Resources Manual. This manual encompasses a range of critical topics, including but not limited to:

- Recruitment and Selection
- Terms of Employment
- Probationary Period
- Orientation and Induction
- Code of Conduct and Code of Ethics
- Staff Training
- Employee Documents
- Job Descriptions
- Performance Assessment
- Salary
- Medical Coverage
- Allowances, including Acting Allowance
- Taxes
- Working Hours and overtime
- Leave – annual, sick, bereavement
- Duty Travel, Work Advances, Per Diems
- Salary Advances or Loans
- Retirement Benefit
- Disability for Work-Related Accidents
- Death of Employee - Life Insurance
- Disciplinary Action
- Grievance Procedures
- Termination of Employment
- Security and Emergency Guidelines
- Vehicle and Equipment Usage
- Salary scales

The Secretary General bears the responsibility for ensuring the continuous presence and periodic updating of this manual to reflect changes in local laws.

19.2 Personnel Records

19.2.1 Employee Register

A comprehensive Register of Employees is diligently maintained, encompassing essential details for each employee. This includes but is not limited to name, date of birth, job title, and employment history.

19.2.2 Personnel Files

Each employee's personnel file is meticulously curated, incorporating the following essential elements:

1. Curriculum vitae
2. Letters of Reference
3. Interview details
4. Contracts of employment
5. Job descriptions
6. Copy of official photo ID
7. Copy of Caritas ID Card
8. Contact details
9. Caritas property held.
10. Payroll records
11. Leave records.
12. Appraisal records/ Performance Evaluations
13. dependents details
14. Bank details form
15. Details of termination
16. Employees issued letters (employment certificates, warnings, etc)

These confidential personnel files are stored securely in a locked filing cabinet, ideally within the office of the Human Resources Officer, considered permanent records and maintained in the organization's archives.

19.3 Termination and Handover

Upon an employee's voluntary departure, an exit interview is conducted by either the Secretary General or the Human Resources Officer. A handover period, where feasible, is encouraged for a smooth transition. Senior staff members are expected to submit a mandatory handover report, often a prerequisite for the final salary payment.

To safeguard the organization, final payments and termination benefits are contingent upon the signing of a waiver form by the departing employee. Compliance with Israeli Labor Law for Jerusalem staff and Palestinian Labor Law for those in Palestine is strictly adhered to in all cases.

19.3.1 Topics for the Handover Report - Head of Finance

The Handover Report for an outgoing Head of Finance is a critical document ensuring a seamless transition for the incoming director. It encompasses a comprehensive overview of key areas and responsibilities. The report should include, but is not limited to:

1. **Organization and Personnel:**
    - Provide an organizational chart for Caritas and specifically for the finance department.
    - Review the structure, delineating finance staff responsibilities and performance.
2. **Accounting:**
    - Conduct a thorough review of basic processes.
    - Outline internal control procedures.
    - Assess the status of Caritas accounting and reconciliations.
    - Specify sources for additional information.
3. **Procurement:**
    - Detailed procurement procedures.
    - Discuss controls and highlight potential issues.
4. **Computers:**
    - Offer a brief introduction to the accounting system and other computer systems in use.
    - Provide guidance on where to seek further information.
    - Share insights on electronic file directories.
5. **Grants:**
    - Review the status of each grant, covering both expenditure and cash aspects.
    - Assess the status of grant reports.
    - Highlight pending extensions, realignments, and potential challenges.
6. **Projects:**
    - Conduct a project review, identifying and detailing any problematic areas.
7. **Cash and Banking:**
    - Review the banking situation, cash policies, signing authorities, and considerations for cash flow.
8. **Contact List:**
    - Compile and provide contact details for key individuals within donor agencies and external service providers such as banks, auditors, etc.
9. **Other Items:**
    - Detailed payroll processes.
    - Discuss Fixed Asset Registers.

- Provide information on local manuals and reference materials.

19.3.2 Handover of Caritas Property

Before receiving the termination payment, the outgoing director must ensure the proper handover of all Caritas property, including the Caritas identity card, to the Human Resources Officer.

19.3.3 No Further Claims Statement

The departing employee is required to sign a No Further Claims statement confirming the accuracy of calculations related to outstanding salary allowances and benefits. This statement acknowledges the receipt of full terminal benefit entitlements, with exceptions made for Pension Fund entitlements to be collected separately from the insurance company if any.

Example:

“I, name of employee, agree that the above calculation is a true and accurate reflection of all outstanding salary allowances and other benefits due to me on completion of my contract of employment with Caritas Jerusalem as at (date).

I hereby declare that I have received my full terminal benefit entitlements (as stated in the above Net Amount Due) by cheque number xxxxx dated dd-mm-yyyy and that I have no further claims against Caritas Jerusalem except my Pension Fund entitlements which I will collect from the insurance company.”

19.4 Staffing of the Finance Department

Head of Finance: The Head of Finance, an experienced professional with significant tenure, is entrusted with the financial responsibilities of Caritas Jerusalem.

Finance and Accounting Staff: Decisions regarding the staffing of the finance department, excluding the Head of Finance position, rest with the Secretary General and the Head of Finance. Efforts should prioritize recruiting high-quality local staff, providing opportunities for continuous professional development, and fostering the skills of junior accounting staff.

19.5 Job Description for the Head of Finance

Job Title: Head of Finance
Reports to: Secretary General

The Head of Finance (Finance Manager) plays a crucial leadership role within Caritas Jerusalem (CJ), responsible for overseeing all financial activities, ensuring compliance with regulations, and providing strategic financial guidance to support our mission. This role involves managing a team of finance professionals, working closely with Head of Departments, and contributing to the organization's overall financial health and sustainability.

- **Duties and Responsibilities:**
- Provide leadership, management, and oversight for all fiscal financial activities, including general accounting, cost accounting, budgetary controls, financial analysis and forecast, budget plans, cash flow monitoring, and periodic report.
- Train, supervise, and evaluate finance personnel.
- Oversee digital fiscal management system, including ongoing analysis of software needs and development.
- Implement fiscal policies and accountability and control procedures and analyze and report variances.
- Coordinate developing CJ's annual budget and cash flow projections.
- Follow up on budget implementation on a regular basis. Create, coordinate, and evaluate the financial programs and supporting information systems of CJ to include budgeting, tax planning, properties, and conservation of assets.
- Oversee the approval and processing of revenue, expenditure, and position control documents, department budgets, salary updates, ledger, and account maintenance and data entry.
- Coordinate the preparation of financial statements, financial reports, special analyses, and information reports.
- Develop and implement finance, accounting, and financial risk management activities.
- Establish and maintain appropriate internal control safeguards.
- Interact with other managers to provide consultative support to planning initiatives through financial and management information analyses, reports, and recommendations.
- Ensure records systems are maintained in accordance with generally accepted accounting standards.
- Develop and direct the implementation of CJ strategic and operational plans, projects, programs, and systems.
- Cash flow management includes analyzing cash flow, cost controls, and expenses to guide CJ leadership. Analyze financial statements to pinpoint potential weak areas.
- Establish and implement short- and long-range departmental goals, objectives, policies, and operating procedures.
- Serve on CJ’s senior management committees and other committees.
- Coordinate with the internal auditor to ensure his/ her work is facilitated.
- Review and respond to management points raised by the external auditor.
- Follow up on issuance of the audited financial statements of CJ.
- Other duties as assigned.

- **Job Requirements:**
- A minimum of a master's degree in accounting, finance, or any related professional certificate (CPA, CA, CFA, CIA).
- An 8-10 years' experience in accounting, finance, or any related field in a managerial position.
- **Knowledge, skills, and abilities required:**
- Experience in strategic planning and execution. Knowledge of contracting, negotiating, and change management. Knowledge of finance, accounting, budgeting, and cost control principles including Generally Accepted Accounting Principles. Knowledge of automated financial and accounting reporting systems. Ability to analyze financial data and prepare financial reports, statements, and projections.
- Work requires professional written and verbal communication and interpersonal skills. Ability to motivate teams to produce quality materials within tight timeframes and simultaneously manage several projects. Ability to participate in and facilitate group meetings.
- An ability to manage a team and function within a working unit in full coordination.
- Deep commitment to the Catholic church mission.
- Commitment to CJ Code of Conduct and Safeguarding ethics and policies.
- Adhere to Caritas Jerusalem's mission and core values.
- Jerusalem driver's license.

PART 20: VEHICLE MANAGEMENT

Efficient vehicle management is of paramount importance, necessitating transparent and auditable controls over vehicles and associated costs.

20.1 Vehicle Policy

Caritas Jerusalem mandates a comprehensive vehicle policy covering critical aspects:

1. Authorized drivers, qualifications, and training.
2. Logbooks.
3. Purchasing, replacement, and disposal.
4. Fuel and lubricant procurement.
5. Maintenance and repair.
6. Insurance.
7. Official and private vehicle use.
8. Accident procedures.
9. Carrying passengers.
10. Depreciation.

20.2 Logbooks and Fuel Consumption Logs

A detailed logbook must record each vehicle's usage, capturing information on drivers, fuel consumption, and daily checks.

- Logbooks should be submitted monthly to the Procurement and logistics officer and entered a secure database.
- Mandatory driver training ensures accurate logbook maintenance.

20.3 Fuel Consumption Reports

The Logistics Officer compiles monthly reports using logbooks.

- Standard forms monitor fuel use, calculating weekly consumption.
- Essential data includes vehicle details, mileage, fuel consumption, and monthly costs per kilometer.

20.4 Fuel Misuse

- Assign vehicle monitoring to one designated person.
- Implement electronic monitoring reports for cost comparisons.
- Emphasize if possible one driver per vehicle policy, underscoring driver responsibility.
- Establish written agreements with fuel suppliers, potentially utilizing coupons.
- Consider incorporating GPS tracking systems for enhanced monitoring.

20.5 Vehicle Maintenance

Schedule regular maintenance based on time or mileage limits.

- The Logistics Officer submits maintenance reports, aiding budget planning and future vehicle purchases.

20.6 Authorized Drivers

Staff authorized to drive must provide a valid license, a copy of which is stored in their personnel file.

20.7 Official Use of Caritas Vehicles

Regulations include:

- The Logistics Officer controls vehicle use and is authorized to approve.
- Prior submission of requests for vehicle use, especially for project trips.
- Creation and maintenance of daily vehicle movement schedules.
- Strict adherence to return and parking policies.
- Restriction on vehicle use after dark.
- Limit on passengers and loads, ensuring compliance with insurance policies.

20.8 Personal Use of Caritas Vehicles

Personal use of Caritas Vehicles is prohibited unless preauthorized by the Secretary General.

20.9 Security

- Secure parking for vehicles when not in use.
- Keys stored in a designated secure location, with a key register and staff sign-out system.

20.10 Insurance

Adequate insurance for all vehicles, including equipment like tractors.

- Comprehensive insurance for new vehicles; third-party coverage for older ones of a value less than ILS 30,000.
- Coverage for Caritas staff, non-Caritas passengers, and hired vehicles.
- Regular checks to ensure compliance with legal capacities and insurance policies.

PART 21: TELEPHONES

Communication expenses constitute a significant portion of organizational budgets. Thus, a robust system for monitoring and controlling communication system usage is essential.

21.1 International Telephone Calls

- Limited fixed-line telephones should have international call capabilities, protected by a password or PIN.
- Monthly bills must be itemized, detailing number called, date and time, duration, and cost.
- Maintain a logbook for central phones, recording call details.
- Encourage email usage or Virtual calls using MS Teams to reduce communication expenses.
- Establish clear guidelines for personal vs. official international calls.

21.2 Processing Telephone Bills

- Circulate itemized phone bills monthly to staff, emphasizing personal call identification.
- Staff should make personal calls; international calls on personal phones are considered official.
- Calculate and charge staff for personal calls; review remaining charges for reasonableness.
- Investigate unclaimed international calls to prevent potential tapping or oversight.
- Institute policies requiring staff to justify business calls, considering all calls as personal by default.
- Implement periodic training on proper identification and categorization of calls.

21.3 Mobile Telephones

- Mobile phones in the Fixed Asset Register, regardless of cost.
- Staff sign for issued mobile phones; details recorded in the register.
- Regularly update the Fixed Asset Register to reflect the current status of mobile phones.
- Conduct periodic audits to ensure the accuracy of mobile phone records.

21.3.1 Credit Limits on Mobile Telephone Accounts

- Set credit limits on post-paid mobile accounts to prevent misuse.
- Limits determined by management, slightly above the average monthly bill.
- Periodically review credit limits to ensure they align with usage patterns.

21.3.2 Loss or Theft of Mobile Telephones

- Report losses or theft immediately to the responsible personnel.

- Notify the mobile network provider if immediate reporting is not possible.
- Staff may be charged for calls made after reporting failure.
- Conduct awareness programs on the importance of immediate reporting to mitigate losses.

21.4 Internet Calling Options

- Encourage the use of internet-based communication tools approved by Caritas to minimize call costs.
- Emphasize options that utilize internet services for free calls between parties.
- Provide training sessions on utilizing internet calling platforms for effective communication.
- Regularly update staff on emerging technologies and communication tools that enhance cost-effectiveness.
- Monitor the effectiveness of internet calling options and gather feedback from staff for continuous improvement.

PART 22: FILING AND ARCHIVING

22.1 Filing Systems

A well-organized filing system is crucial for efficient record-keeping, ensuring documents are easily accessible and secure.

- **Equipment Used for Filing:**
    - Filing Cabinet: For flat and suspension files.
    - Steel Cabinet: For large, lockable files.
    - Date Stamp: To chronologically date stamp received documents.
    - Register: To record files in and out.
    - Filing Shelves: For box files.
    - Box File: Large files stored on shelves.
- **Methods of Filing:**
    - Filing by Subject/Category.
    - Filing in Alphabetical order.
    - Filing by Numbers/Numerical order.
    - Filing by Places/Geographical order.
    - Filing by Dates/Chronological order.
- **Filing Index:**
    - Establish an index or filing key for easy retrieval.
    - Ensure all filing personnel understand and use the key.

22.1.1 Filing Systems for Bilateral Projects

- **Project-Specific Documentation:**
    - Maintain separate files for bilateral projects.
    - Avoid mixing project-related documents with unrelated records.

22.1.2 Location of Documentation

- **Remote Project Offices:**
    - Discretion of Head of Finance on retaining documentation locally or sending it to headquarters.
    - Clear written instructions for retention if kept at remote offices.
    - Photocopy documents before sending to headquarters, retaining copies locally.

22.2 Retention and Storage of Documents

- **Retention Period:**
  - Duration stipulated by donor agreements.
  - Caritas minimum retention: Seven years (financial documents: ten years).
  - Comply with local legislation and donor-specific requirements.
- **Storage Guidelines:**
  - Ensure stored documents are kept in a clean, dry, and safe area.
  - Compliance with local fire safety regulations.
  - Systematic organization of stored documents for easy access.
- **Storage of Electronic Data:**
  - Non-current electronic data stored securely.
  - Critical electronic data duplicated and stored separately.
  - Clean, dry, and fire-safe storage environment.
- **Emails:**
  - Emails are treated as electronic data.
  - Make all emails from departing or transferred employees available to their replacements.