



**The Palestinian Association for Empowerment
and Local Development – REFORM**

Internal Control Framework

**Approved by the Board of Directors of The Palestinian Association for
Empowerment and Local Development – REFORM**

Date: 15.04.2017

List of Contents

1. Introduction	3
2. What is an Internal Control Framework and Why Have One.....	3
2.1 Values.....	4-5
3. Control Environment.....	5-8
4. Risk Assessment	8
4.1 Establishing Context, Identifying and Analyzing Risks, Controls	8
4.2 Risk Matrix	9
4.3 Determining Mitigating Actions	9
5. Control Activities.....	9
5.1 Control Activities Framework.....	10
6. Information and Communication	10-11
7. Monitoring Controls.....	11
7.1 Delegation Policy.....	11
7.1.1 Delegation Procedures	11-12
7.2 Monitoring and Oversight Bodies.....	12-15
7.3 Internal Monitoring and Evaluation (ROC)	12-15
8. Management Internal Control Sign Off	15-17

1. INTRODUCTION

Following its first General Assembly meeting of the year 2017, The Palestinian Association for Empowerment and Local Development – REFORM released its first ever Internal Control Framework. This framework shall be recognized as the Association’s primary accountability and governance tool, setting internal control procedures to aid in providing accountability to its stakeholders, including its financial contributors (donors), as well as to safeguard its assets.

This guide is designed for use of employees, board members, advisory boards and the General Assembly to ensure the effective adoption and implementation of sound internal control procedures for more efficient and effective management of resources and operations, thus contributing to the sustainability of the organization. The objective of this guide is to aid the members of the Association to deeply and critically assess its policies and procedures and examine if they adequately minimize the risks and promote the best practices within its processes.

2. WHAT IS AN INTERNAL CONTROL FRAMEWORK AND WHY HAVE ONE?

An internal control framework consists of policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations. These not only relate to accounting and reporting but also include communication processes both internally and externally, staff management as well as risk management. Internal control is an ongoing process that supports the realization of project and organizational objectives through various tasks and activities. The internal control system is not only affected by policies and procedures, but also by the actions taken at every level of implementation (staff, management, board members). It is designed to provide reasonable and realistic assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

Sound internal controls include procedures for:

- ✓ Handling funds received by the Association (revenues and expenditures).
- ✓ Preparing the appropriate and timely financial reporting to board members, senior management and donors.
- ✓ Conducting the annual audit of the Association’s financial statements.
- ✓ Evaluating the performance of the Association towards its strategic objectives (3 Year Strategic Plan).
- ✓ Staff and program evaluations.
- ✓ Maintaining an inventory record of assets.
- ✓ Implementing policies that prohibit conflicts of interest and fraudulent acts within the Association.

The effective implementation and monitoring of a sound internal control system helps ensure that REFORM meets its mission of sustainably empowering marginalized groups, in particular youth and women from hard-to-reach communities, through establishing safe acting platforms, encouraging community-led development processes and shaping a more inclusive governing system that is responsive to people's needs. Setting quality and comprehensive internal controls will help align the performance of REFORM with its overall objectives – through continuous monitoring of the performance and activities carried out. This internal control framework is a fundamental tool to ensure the solidness of accounting records and minimize possible random errors, providing assurances to stakeholders regarding its financial statements. At the same time, it ensures that resources are correctly allocated and utilized efficiently, minimizing wasted time correcting errors. In addition, it ensures good management in which information regarding performance against targeted indicators can be received in a timely manner. Lastly, it helps to avoid and detect fraud and errors so that they can be addressed quickly and measures are in place to avoid potential risks.

Effective internal controls help to prevent and mitigate:



- Reputational risk – so that REFORM continues to be recognized for its transparency and integrity and the added value it delivers to its target groups.
- Strategic and Operational risk – so that REFORM’s objectives and goals, as noted in its strategic plan, are achieved, human and financial resources are acquired and utilized efficiently and quality processes and continuous improvement in operational processes is emphasized.
- Fraud/Corruption risk – so that REFORM’s resources (including its staff and stakeholders, systems and information) are adequately protected.
- Compliance risk – so that the actions of all staff comply with REFORM’s policies, plans and procedures and all relevant local laws and standards.
- The risk of errors in financial reporting of REFORM’s financial statements – so that internally and externally published information is accurate and reliable.

3. Control Environment

REFORM has set out specific policies and procedures for its major functions, such as financial management, staff administration and procurement as well as a code of conduct. Each one of these functions has its own manual which is to be thoroughly read and understood by all staff and board members in order to ensure that each person understands their roles and responsibilities and are committed to fulfilling them appropriately. These manuals provide a foundation for internal controls to exist and operate effectively as well as for the respective management and committees to reinforce these policies at various levels, through clearly delegating decision makers.

This list is not all inclusive; staff members are required to refer to respective manuals for detailed information on the following policies, procedures and processes:

Control Environment	Policy Type	Key Aspects (Detailed in Respective Manuals)
Human Resources (Administrative Manual and Code of Conduct)	Hiring Policies	Hiring procedures, such as anti-discrimination, legal compliance, type of employment offered (full-time, part-time) and 3-6 month probationary period, and who is responsible ensuring processes are adhered by.
	Conflict of Interests	As noted in code of conduct, must not hire couples or relatives of the first degree. Must not receive gifts or any sort of influence to make a decision in the organization.

	Staff Training	REFORM's polices on training of staff and volunteers, including learning development programs, language development, teamwork any support services offered, such as counseling.
	Performance Evaluations	Quarterly employee evaluations based on specified forms for job description in order to assess if job responsibilities and duties were met.
	Code of Conduct (own manual)	Details REFORM's culture and values, to which staff and board members are expected to adhere to. It includes anti-discrimination, non-violence and a list of prohibited items in order to maintain the organization's integrity and ethical values.
	Disciplinary Procedures	Notes the step by step procedures for violations against the code of conduct and policies (first time, second time, third time)
	Personnel Files	Administrative Officer that records all work history of employees, including the following: employee contact details, start date, employment position, contract, record of all leave, and performance evaluations.
	Payroll Policy (Salary Scale)	Outlines how payroll is calculated including tax deductions and such, overtime calculations that transfer to compensational leave unless specifically approved, etc. Includes salary skill for each position according to qualifications.
Administrative (Administrative Manual)	Delegation of Responsibilities and Board of Directors	Policy that authorizes specific personnel to delegate responsibilities and have authority over certain organizational functions.
	Key Administrative activities	Time sheets, finalizing procurement processes, inventory, staff management, annual leave, sick leave, maternity and paternity leave, unpaid leave, etc.
	Reporting	Technical reporting (progress, bi-annual and annual) for projects and organization to donors and to the public.
	Organizational Chart	The hierarchical structure of all employees. The administrative manual provides job descriptions, reporting lines/segregation of duties.
	Job Descriptions	As noted in Administrative Manual.

	Access to Assets	Responsibility of TSU and Account to take inventory of assets and ensure no destruction of assets unless approved.
	Accreditation Policies	Policies that relate to any accreditation requirements that are required by the organisation to operate. (Ministry of Interior) and other approvals needed to carry out activities in public areas.
Financial (Financial Manual)	Financial Reporting Policy	Dates for financial year, accounting method and relevant compliance requirements.
	Budget Process	Timing and approval process of budgets; estimated income and expenditures for coming year and previous year, sources of income and breakdown of expenses. Responsibility of TSU and Accountant.
	Financial Statements	Detail all financial statements to be prepared, including level of detail required and any commentary to be included; responsibility of Accountant.
	Record Keeping/Archiving	Accountant responsible for record keeping, support required (software) and the objective (to monitor and track resources in line with budget).
	Financial Review and Analysis	Detail who is responsible for financial review and analysis, frequency of review, key areas to be reviewed
	Internal and External Auditing	Policy on frequency of audit, appointment of auditors, personnel responsible for providing auditors with necessary information.
Reporting	Internal General Reporting Policy	Responsibility of project officer to provide general manager with progress reports (collected and reviewed from project coordinators) and for Communications department to finalize final reports, including project reports and annual reports.
	Compliance Reporting Policy	Identifying stakeholders and reporting according to laws and donor templates/procedures. Ensuring visibility activities according to needs.
	Internal Monitoring and Evaluation	Reflection on Changes (ROC) Manual which is an internal monitoring tool developed by REFORM with the support of GIZ to assess the changes beneficiaries and external stakeholders see and feel in

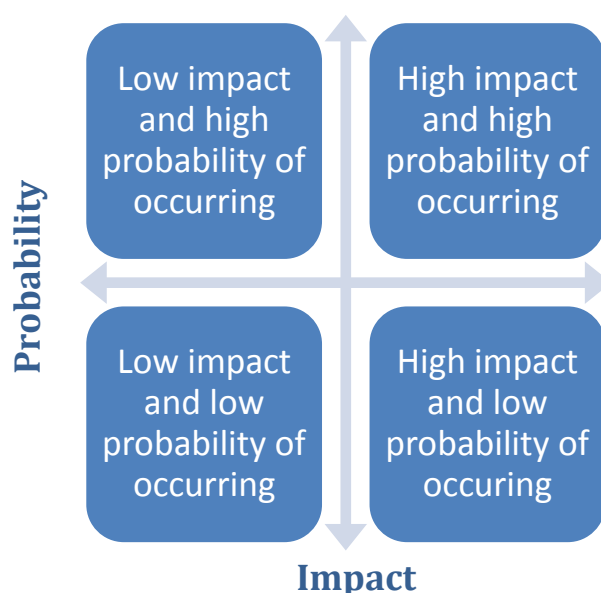
		their behavior and surroundings. Monitors progress towards indicators.
Systems	Hardware and Software purchase and maintenance, such as Bisan Accounting System	Details the responsibilities of the Technical Support Unit for technical planning, software purchases, hardware requirements and maintenance.
	E-Com Procurement Software	Ensures that all procurement and tendering processes are carried out in a fair manner and saves time and money, providing equal opportunities to all prospective persons.
	Emergency Planning	Evacuation procedures, first aid, key holders, passwords, petty cash locks, contact details for emergency services and insurance to cover volunteers and beneficiaries/workmen's compensation.

4. Risk Assessment

4.1 Establish Context, Identifying and Assessing risks, Controls

REFORM applies a wide risk management framework, in which risk prevention and risk management is embedded within its overall strategic and operational policies and practices. It is necessary to identify the areas within REFORM and its projects and that need to be monitored and protected and to determine where possible risks may arise in order to employ controls to manage them. The overall objectives of REFORM, as stated in its mission statement and strategic plan, shall be the starting point in identifying and assessing risks. Then, it is necessary to determine the possible risks related with the achievement of these objectives, while at the same time noting the probability of that event occurring and the level of impact it would have on the success of the activity and REFORM itself.

4.2 Risk Matrix



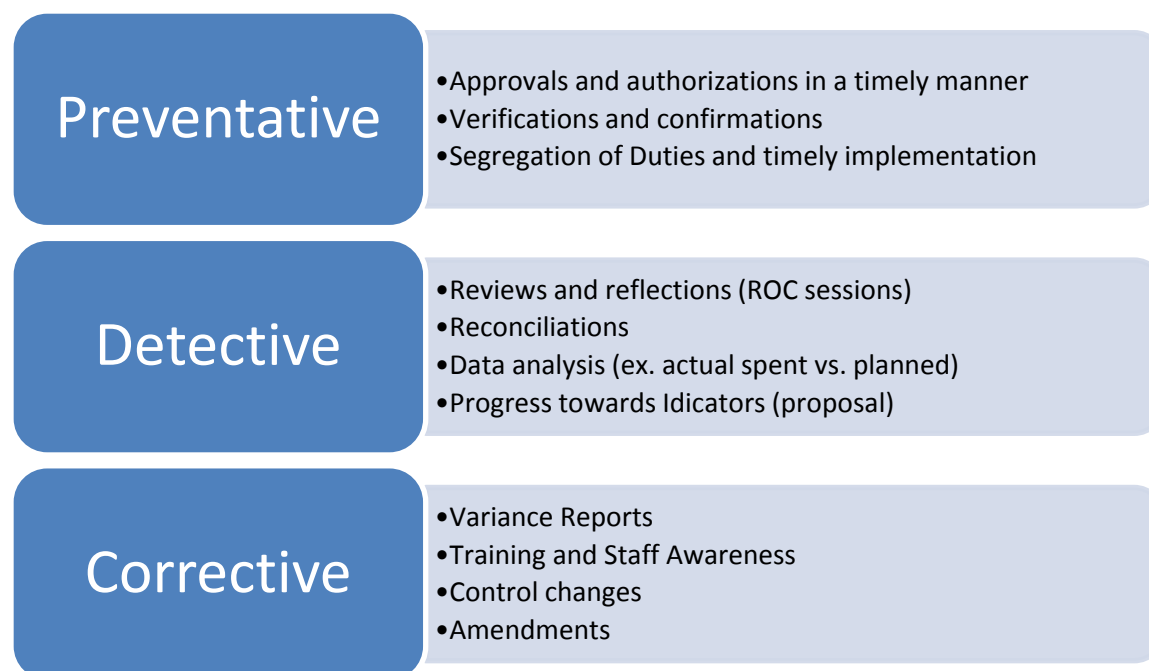
4.3 Mitigating Actions

Lastly, it is imperative to determine mitigating actions, if any, to be taken to address gaps in REFORM's processes. It is important to note that it is unlikely that all risks can be managed due to external risks, such as the unstable political situation and restrictions in movement across various jurisdictions. The responsibility and accountability for each risk is allocated to a specified staff member that is in charge of the activity, such as project officer for project activities, or accountant for financial statements. The responsible staff member must ensure mitigating controls are appropriately designed and operate effectively, and if necessary seek advice from the Board of Directors, General Assembly or Advisory Board.

5. Control Activities

Control activities are built-in to REFORM's policies, procedures and practices. It's important to understand that controls can be classified as those before the event as preventive, or after as detective or corrective. Therefore, it is necessary to have competent and ethical staff and volunteers with the necessary qualifications. REFORM's policies, noted in the Administrative Manual, include appropriate assignment of responsibilities, segregation of duties (governance and operations) and authorization processes. In addition, internal and external audits must be performed and all records must be properly documented, both on paper and electronically. Control activities must be implemented thoughtfully and consistently, taking into account the control environment noted above, the outcomes of the risk assessment and the available human and financial resources.

5.1 Control Activities Framework



6. Information and Communication

The key to an effective control environment is information and communication. Although it is mandatory for all staff to engage in communication activities, it is the responsibility of the Communication's Department to ensure communication processes and outlets are developed on a regular basis. These processes are for both internal and external communication in order to ensure that all staff members are able to effectively execute their duties and network with various community components. For each set of policies and procedures it is critical that all relevant staff, volunteers, members and stakeholders are kept informed, and this can be achieved in various ways, such as through various social media outlets (Twitter, LinkedIn, YouTube, Facebook, Instagram, MailChimp, Association's website, Blogs, etc). Items to be shared on these outlets include photos of organizational activities, invitations for events, brochures, newsletters, memos, videos, radio episodes, and many more.

The Communications Department leads the development of the Association's website and all related social media accounts; ensuring project information is updated regularly with achievements and final reports by coordinating with relevant staff. This department must also ensure published material is accurate, in both content and language. The Association's financial and technical reports and audited financial statements shall be posted on its website

in order to ensure the transparency of its work and access to information of the public. The Department must also evaluate the internal communications of staff members in order to improve and develop better strategies of networking and teamwork. Lastly, the Communications Department has the sole responsibility of sharing all required information to donors (progress reports, M&E reports, final reports, brochures, flyers, photos, videos and invitations), not including financial reports, to ensure donor visibility strategies are met.

7. Monitoring Controls

Once internal controls have been established for the key activities of the organisation, the effectiveness of these controls requires monitoring to ensure that the objectives of the controls are being met. Ongoing monitoring activities include management and supervisory activities that evaluate and improve the design, execution and effectiveness of internal controls.

Other ways that internal controls can be monitored is through the use of internal audits, self-assessment by employees, volunteers and managers, periodic review by an audit committee and spot checks to the internal control activity. Internal controls are considered effective if all key stakeholders, including management, employees, volunteers and the board understand the extent that internal controls assist in meeting the overall objectives of the organisation and all financial reporting is prepared in a timely and accurate manner and delivers relevant information for decision making within the organisation. Monitoring internal controls, and ensuring all compliance requirements are met, will guarantee that the control activities of the organisation remain aligned with the changing strategic directions of REFORM.

7.1 Delegation Policy

The delegation policy is considered one of the most important administrative mechanisms that facilitate the work and achievements in normal and emergency situations. The delegation process is carried out according to the following criteria:

1. Delegation of specific authorities and period.
2. Delegation of the revoked powers shall not be authorized.
3. The employee / delegated person shall exercise his / her duties under the authorization text.
4. The delegation shall be dissolved if the authorized officer exceeds the limits of the powers delegated to them.
5. The employee shall be subject to disciplinary measures if they exceed the limits of the powers delegated to them.

7.1.1 Delegation Procedures

1. The General Manager shall appoint a deputy from the officers, and the Technical Support Unit shall circulate the delegation, specifying the delegation period and authorities.

2. The officers shall choose from among their employees a suitable delegate to fill their positions in their absence. The delegation shall be delegated to the Officer of the Technical Support Unit, indicating the authorities and period.
3. The Technical Support Unit shall prepare the Delegation form and send it for approval by the General Manager.
4. The employee / Delegate shall be informed of the limits of their mandate and shall be circulated to every staff member concerned.
5. The Officer of the Technical Support Unit shall terminate the delegation mandate upon its expiration and circulate it among those whom it may concern.

7.2 Monitoring and Oversight Bodies

General Assembly

The General Assembly is the highest organizational unit in the Association, and involves within its membership parties who have contracted to establish the Association and the members who have been affiliated according to criteria set by the constituent body. The General Assembly undertakes the following tasks:

1. Drawing up the general policies of the Association to achieve its objectives.
2. Appointing legal auditors.
3. Approving the final annual accounts.
4. Electing members of the Board of Directors.
5. Accepting or rejecting new members and supervising the discipline of members of the Assembly.
6. Approving the Statute of the Association and its amendments.
7. Ratifying internal regulations.

Board of Directors

The Board of Directors shall be elected by the General Assembly every two years. The number of its members shall not exceed (9) persons at the highest executive level in the Association. The Board of Directors undertakes the following tasks:

1. Sending out invitations to the General Assembly meeting.
2. Implementing public policies approved by the General Assembly.
3. Working directly with the General Manager to facilitate the work of the Association.
4. Adopting internal procedural regulations and code of conduct.
5. Ratifying the annual report that includes the Associations activities and future plans, as well as approving the annual budget of the Association.
6. Representing the Association locally and internationally.
7. Recruiting financial resources for the Association.

8. Forming internal control systems and supervising its work.
9. Contract with the General Manager.

General Manager

The General Manager shall head the executive body of the Association and shall be responsible before the Board of Directors for the implementation of the general policies to achieve the desired objectives, under their original powers, and other delegated by the Board of Directors, and shall exercise their functions in the manner prescribed by their job description,

1. To implement the decisions of the Board of Directors.
2. Supervise the development of internal regulatory frameworks, including procedural manuals, and internal systems.
3. Concluding agreements, contracts, and supervising their implementation.
4. Managing the assets of the Association, and ensure using them in the areas allocated to them.
5. Appoint staff, supervise their management, motivate, and train them.
6. Participate in meetings of the Board of Directors, and coordinate meetings of the General Assembly.
7. Forming committees, defining their terms of reference, supervising their work and dissolving them.

Executive Units

A. Programs Unit

Undertakes the design and implementation of programs in collaboration with other departments, this Unit includes the Program Officer, the Administrative Assistant, project coordinators, field coordinators and resident trainers. The Program Unit Officer shall be reporting to the General Manager and shall have the following functions:

1. Development of program plans and participation in the preparation of program budgets.
2. Field Operations Management.
3. Preparation of publications related to programs in conjunction with the Department of Communication and Public Relations.
4. Management of software databases.
5. Preparation of periodic reports.

B. Technical Support Unit

Responsible for administrative and financial functions. This unit includes the finance and administrative officer, administrative assistant, accountant, service and information staff. The Technical Support Unit Officer shall be reporting to the General Manager and shall have the following functions:

1. Personnel Management.
2. Organization of the book collection and accounting operations in the Association.
3. Manage various purchasing and logistics processes.
4. Preparation of financial and administrative reports, and participation in the preparation of annual reports.
5. Manage the Association's assets.
6. Develop staff training plans, including coaching.
7. Provide technical support to the General Manager.
8. Provide technical support to the Program Unit.
9. Provide technical support to the PR Unit.
10. Coordination of internal and external audits.
11. Coordination of Board meetings.
12. Undertaking development tasks and adapting internal regulations to Palestinian laws.
13. Supervision of the enforcement of regulations, decisions and administrative orders issued by the General Manager.
14. Participation in the preparation of annual budgets.

C. Public Relations/Communications and Development Unit

Responsible for networking and coordinating between the Association and its partners, developing and writing project proposals, as well as communicating with the public. This Unit includes the Public Relations Officer, the Media Officer, and the Communication and Development Assistant. The Public Relations Officer shall be reporting to the General Manager and shall have the following functions:

Management of communication interfaces with the external environment (electronic page, social networking sites), and develop it constantly.

1. Lead the preparatory process to contact the donors.
2. Lead the project writing and communication process.
3. Organization of conventions.
4. Organizing and following up the meetings of the Association with external bodies.
5. Representing the Association in the meetings assigned to the Unit by the General Manager.
6. Attend regular meetings with donors.
7. Participating in the preparation of publications and supervising their translation.
8. Develop and strengthen relationships with partners.

9. Application of the principles of management customary in the formulation of organizational structures.
10. Identify the basic objectives and activities in the Association.
11. Identify sub-activities.
12. Translation of key activities and assist in posting them.
13. Distribution of similar and integrated functions in organizational units.
14. The composition of the organizational structure based on determining the relative importance of organizational units.

7.2 Internal Monitoring and Evaluation (ROC Manual)

REFORM measures the appropriateness of its strategy and the success of its interventions through an on-going process of evidence-based monitoring and results-based management, focused on the outcome and impact level of interventions in order to measure actual outcomes in comparison with expected or planned outcomes. Specifically, REFORM uses RoC (Reflection on Changes) methodology to assess the effectiveness of its approach and interventions. The RoC methodology consists of the following steps:

- 1- Before the project has begun: We develop a baseline together with the participants/potential participants of the project using methods of participant action research (PAR).
- 2- 3 months into the project: We allow participants to reflect on changes that they see and feel in their personalities and among their community.
- 3- 6 months into the project: We allow external evaluators to reflect on the changes that they see in the target groups and their surroundings.
- 4- 3 months after the first year of the project: We track personal and societal changes and document observations by undertaking action research if needed.

The Reflection on Changes (RoC) methodology is a unique monitoring and evaluation framework that was developed by REFORM with supervision by GIZ to adequately reflect the needs of the organisation and its beneficiaries as well as the contexts in which REFORM works.

8. Management Internal Control Sign Off (Responsibilities)

REFORM supports its Internal Control Framework by bi-annually reviewing of the Management Internal Control Procedures through Board Meetings.

- **Board of Directors**

It is responsible for the preparation and approval of the financial policy and the conduct of audits, controlling, adopting of expenses and supervising all financial operations within the

association and the approval of the final accounts for the ended financial year and the draft budget for the new year and annual financial reports.

- **Chairman of the Board of Directors**

The chairman of the board shall be responsible for all deeds, bonds and securities. The chairman of the board shall carry out these functions either directly or by delegating some of his powers to the General Director of the Association.

- **Vice-President of the Board**

The Vice-President of the board shall be responsible for all deeds, bonds and securities in the absence of the Chairman of the Board, or if he is unable to be available. He shall be responsible to the chairman of the board in accordance with the authority delegated by the Council.

- **Treasurer**

The Treasurer shall be responsible for checking the financial transactions prior to their disbursement. He shall be directly responsible for the signing of checks and bank transactions, in addition to the President of the Council and whoever is authorized by the Board.

- **General Manager**

The General Manager shall head the executive body of the Association, representing the association in contracts, financial instruments, in accordance with the terms of reference stipulated in his contract, or the powers delegated to him by the board through the Chairman. The General manager shall monitor the application of the system, control the policies related to disbursement, supervise revenue collection, submit all the financial matters to the Board of Directors, approve the schedules of the association's needs of assets, as well as the ratification of the destruction and exclusion of assets in accordance with the provisions of this manual and its annexes, and monitor the implementation of the budget items, and overseeing the supervision of the purchase process, and the implementation of the Board's instructions in connection with the internal audit, and follow up financial matters with donors, and sign the financial transactions authorized and submitted to the Board of Directors for approval. It is authorized to spend within the limits set by this manual and its annexes.

- **Financial and Administrative Officer**

He / she is responsible for the Department of Technical Support and is directly responsible for all matters of the Finance and Administration Department before the General manager , under his / her contract and delegated authority. He/ she is responsible for procurement, personnel management, relationship management with the Association's service providers and financial and administrative support for the department of Programs and Public Relations, and the General director. The Technical Support Department oversees the development of all the forms associated with this manual and its annexes, and shall submit the required periodic reports (monthly and annually) and the final reports (financial position and annexes) to the Association no later than the end of February of the following fiscal year provided to support

the General manager with all reports issued by the Finance Department, and is responsible for the application of the Financial Regulations, within its competence.

- **Accountant**

He is responsible before the financial and administrative officer for the effective implementation of the system, recording financial operations in the accounting system, extracting results and preparing financial reports, monitoring budget allocations approved by the Board of Directors, prepare statements, prepare internal purchase orders, review revenue and check with deposit vouchers.

- **Administrative Assistant / Secretariat**

Responsible for disbursement from the Fund and the release of bonds from the cash fund and follow up with the accountant on all exchange documents and also responsible for the receipt of cash and the release of receipt bonds, disbursement and deposit.

- **Internal Controller/Internal Control Committee**

Supervise the implementation of the Financial Policy Manual efficiently and effectively, and submit recommendations and observations directly to the General Manager and the Board of Directors.

- **Internal Auditor**

The Internal Auditor provides an independent and objective assurance to management on the adequacy of internal control, risk management, financial reporting systems and governance processes through reviewing and reporting on the adequacy and effectiveness of the REFORM's processes to manage risks and recommends improvements to any identified control weaknesses.

- **External Auditor**

The External Auditor provides an independent audit of REFORM's financial statements in accordance with National Standards and includes obtaining audit evidence about the amounts and disclosures in the financial statements, assessing the risk of material misstatement of the financial statements, considering the internal controls relevant to the preparation and fair presentation of the financial statements, evaluating the appropriateness of the accounting policies used to prepare the financial statements, evaluating the reasonableness of accounting estimates made in the preparation of the financial statements, issuing an opinion on the organization's financial statements in accordance with International Standards.