

Library on Wheels for Nonviolence and Peace (LOWNP)

**Memorandum of Suggestions
For Improvement of Internal Controls**

Ramallah, 28 March 2008.

To the director of
Library on Wheels for Nonviolence and Peace (LOWNP)
Palestine

Dear Sirs,

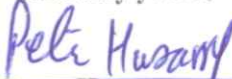
Under International Auditing Standards, auditors are encouraged to report various matters concerning the internal control structure noted during the audit, and are required to report certain of those matters. Matters that are required to be reported are "significant deficiencies in the design or operation of the internal control structure that, in the auditors' judgment, could adversely affect the auditee's ability to record, process summarize and report financial data consistent with the assertions of management in the financial statements".

As part of our work on our audit of the financial statements of the (LOWNP) for the year ended 31 December 2007, we considered the internal control structure in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements of the project. While our purpose was not to provide assurance on the internal control structure, certain matters came to our attention that we want to report to you. These matters, along with our recommendations, are described in the accompanying memorandum.

This letter is intended solely for the use of (LOWNP) and is not intended for any other purposes.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss these recommendations in greater detail or otherwise assist in their implementation.

Sincerely yours,



Peter Husarry,
Deloitte & Touche, M.E

1. **Cash on hand and at Banks:**

It was noted that the required level of segregation of duties is not in place, specifically in the accounting function. This is evident in the functions being implemented simultaneously by the accountant which are summarized as follows:

1. Data entry to the accounting system,
2. Reconciliation of banks' accounts,

2. **Petty Cash Fund:**

The management of the organization did not set or fix an upper ceiling for the petty cash balance nor for each individual disbursement transaction. Moreover, the fund was used to settle amounts due to vendors. Examples are the following:

- Paying an amount of NIS 1,325 for fuel – refer to payment voucher # 221 dated 26 February 2007,
- Paying an amount of NIS 1,200 for cleaning expense- refer to payment voucher # 890 dated 31 December 2007.

Recommendation:

We highly recommend the following actions:

- All transactions booked by the accountant through the accounting software in addition to the bank reconciliations should be approved by the treasurer.
- To determine an upper ceiling for the petty cash balance and for every individual disbursement transaction.

Management Response:

All manual vouchers are approved by the treasurer who also reviews the bank statement; we will ensure that in addition to the manual vouchers the treasurer will also sign on each voucher printed out from the Audit Software system.

Payments issued in cash represent non recurrent transaction that normally not happened, also some small payments is aggregated into on transaction which related to more than one supplier.

3. Procurement Procedures:

- Receiving reports for all procured items including books and fixed assets are not in place.
- The organization did not conduct any competitive procedures when procuring books, fixed assets and all other types of purchases. Examples are the following:
 - Purchase of office furniture in amount of NIS 2,500- refer to payment voucher No. 96 dated 11 march 2007.
 - Printing of brochures in the amount of NIS 2,300- refer to payment voucher No. 215 dated 20 February 2007.

Recommendation:

The management of the organization is to establish proper system for procurements and to set the required authority level appropriate to the nature and the size of operations of the organization.

Management Response:

Offers salutation are required for purchases more than NIS 3,000.

4. Payroll:

During the audit of the payroll cycle we noted the following:

- Timesheets for every employee are not prepared on a monthly basis,
- Annual leave and sick leave records do not reflect the remaining outstanding balance for each employee,
- Payroll monthly sheets were not approved by a management level higher than the preparer,
- The evaluation forms for the new staff were not located in the employees' file.

Recommendation:

- Human resource procedures manual and policies need to be developed for the purpose of managing, in a proper manner, the human resource affairs.
- Time sheet for every employee need to be prepared and approved by the supervisor on monthly basis.

Management Response:

Noted, monthly timesheets will be prepared by each employee, annual leave and sick leave record will be updated regularly, in addition to that a monthly payroll sheets will be printed and approved by higher management level.

The evaluation forms are located in one file; we will ensure that each employees file will have a copy of the evaluation form.

