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Rule of Law Program - Justice and Enforcement

West Bank and Gaza

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Rule of Law Program

Justice and Enforcement

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**Final Report - Development & Implementation of
the Financial System at the SJC & Courts**

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1. Introduction

In the context of activities to support and strengthen the Palestinian Judiciary, the USAID-funded Netham Project, implemented a development initiative to improve the performance of the financial functions at the SJC and courts. The assignment consists of an assessment phase and a development phase. The assessment addressed the current conditions, strengths and weaknesses, of the SJC accounting, purchasing, bank accounts, warehouses, assets, and financial functions. As a result of this phase an assessment report and a developmental plan were prepared, in which the implementation of the second phase is part of that development plan. The second phase of the assignment consisted of developing a comprehensive Financial Manual that will assist SJC employees to execute their daily work more efficiently and produce better quality services to the public. This assignment has been underway for the past 10 months with assistance of a specialized consultant in the financial field.

2. Development of the Financial System

The financial manual was developed in close cooperation between the consultant and the financial officials of the SJC and consisted of a number of key processes. Each of these procedures defines the necessary steps to perform the work in a most efficient manner, key responsibilities, and forms needed to execute transactions.

2.1 Accounting System

The accounting standard system defines how to execute financial transactions combined with the transaction accounting cycle and needed documentation, and verification of the soundness of the accounting procedures. It defines method of transaction recording, verification, both in manual and using the accounting computer system.

2.2 Revenues

This procedure defines the various types of revenues of the SJC including application and service fees and grants, types of payments, method of payment, recording procedures, preparing periodic reports (daily, weekly, monthly, etc.), coordinating and balancing accounts with the Ministry of Finance, all with clear responsibilities.

2.3 Payments and Expenditures

This is an important accounting procedure that defines how and when the SJC can make payments to suppliers and beneficiaries, and how to record and document the payment vouchers, and ensuring compliance with regulations of the Ministry of Finance.

2.4 Cash Management

This procedure enables the SJC to plan the timing of payments and revenues, and ensures that payments can be made on time without delays.

2.5 Fixed Assets

Fixed assets consists of all existing infrastructure materials at the SJC including furniture, computers, telephone system, fax machines, copying machines, air conditioning machines, etc. The fixed asset procedure defines how asset accounts are handled according to the accounting standard used by the PA (i.e., cash basis).

2.6 Budgeting



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Budgeting defines how the annual budget of the SJC is prepared starting with the needs assessment including new employment, assets, training, etc. and how these are transformed into financial numbers. The procedure also defines how to monitor budget items and ensures that all expenditures and payments are made in accordance with budget.

2.7 Purchasing

The purchasing procedure is based on the law of procurement of the PA and details the steps to enable the SJC to execute purchasing of all ceiling amounts including direct purchases, request for quotations, and tendering.

2.8 Deposits

Deposits are the amounts collected by the SJC in as part of filing and settling legal cases. Deposits as well as payments are made at the SJC bank accounts and linked to the various types of cases. This procedure ensures that the SJC can track and prepare reports on deposits by case type, date, bank, or any other important case dimension.

2.9 Internal Financial Auditing

The internal auditing procedure is a process that the SJC performs to ensure that all internal financial transactions are executed according to approved laws, regulations, and procedures.

3. Implementation of the Financial System

The consultant began issuing the financial system after development according to the document and data control system. Then, the consultant under Netham's supervision followed-up the implementation of the financial system. In-house trainings were conducted for individuals and group of SJC financial staff. Detailed training was also conducted for the Chief Clerks at the Palestinian courts. The purpose of the training workshop was to increase the awareness of the employees at the courts of the developed administrative and financial systems, and answer all questions related to details of implementing the systems. The participants included 19 Chiefs Clerks from the Conciliation, First Instance, Appeal, and Supreme Courts in the West Bank.

4. Evaluation of the Financial System Implementation

A final visit was made by the consultant and under Netham's supervision in which investigation was done regarding the level of implementation of the financial aspects. An evaluation report was prepared accordingly which illustrates clearly the level of implementation of each financial procedure. The following summarizes the evaluation results of each procedure:

4.1 Accounting System

According to the evaluation of this part, there is a full commitment and all main policies are stated and implemented in association with developed procedures.

4.2 Revenues

All functions of this procedure are implemented in a good manner, except that for the accumulated amount of deposits and the cancelled vouchers at courts. Recommendations were given by the consultant and Netham during the implementation follow-up process as to review the separation of the amounts of revenues and deposits. SJC shall also review the judicial law and consider the possibility of transferring the deposits into revenues and the same for the bank interest. In the other hand, the cancelled receipt vouchers in the courts shall remain in the relevant court's archive. Each court shall prepare a list of the cancelled vouchers, which shall be approved by the court



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administrator. In addition, an auditor shall approve the list of the cancelled vouchers to verify the cancelled vouchers. Further more, the receipt voucher has various purposes that include various types of revenues and deposits. The proper way is to separate amongst the revenues and the deposits. However, the intended installation and implementation of the Ministry of Finance software “MIZAN” in SJC shall resolve the existing problem and will link each type of revenue and expenditure in its relevant account.

4.3 Payments and Expenditures

This procedure is adhered to and there is a high commitment when executing payments. One problem exists, which is that no specific employee is designated to follow this procedure after the resignation of a previous employee.

4.4 Cash Management

This procedure is implemented completely and all cash transactions are limited and restricted to the main policies set in the accounting system introduction.

4.5 Fixed Assets

Fixed assets management is implemented centrally from the Financial Department at the SJC in Ramallah, and there is software used specially for this purpose. This procedure still suffers some delay in implementation, due to the weakness of inventory counting at the end of the year and recording these items in the system and the delay in the labeling process. Currently preparation is underway to spread this process to Administrative Department then to other offices and courts. Based on the above, this procedure is implemented partially and it can rate approximately at 70%.

4.6 Budgeting

Currently the Financial Manager works on preparing the annual budget of the SJC, and this process is implemented according to the procedure developed, since the Finance Manager receives the budget notice from Palestinian Ministry of Finance and forms are then distributed to all departments and courts. After this process meetings are held to illustrate the preparation process.

4.7 Purchasing

This procedure currently is performed according to the procedure developed and also according to the PNA regulations and laws, using the stated forms. According to the visits made to the Finance Department at the SJC, all purchasing is made following the developed procedures. Forms are prepared and signed according to the levels set in the procedures and the PNA regulations and rules.

4.8 Deposits

Deposit transactions are performed in accordance with the developed procedures. Reports are made and transformed to the Ministry of Finance. Although there still one major problem which needs to be solved on the policies maker level, to address the chronic problem which is related to the huge amount of accumulated deposits and bank interests that should be transformed to revenues.

4.9 Internal Financial Auditing



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This procedure is not implemented yet due to the vacancy of the internal auditor position. Until now there is no assigned employee for this position, except one fresh graduate employee with no experience in accounting or in any other related fields, and he only works on revenues.

5. Suggestion & Recommendations

A summary report was prepared by the financial consultant and submitted along with the overall outcomes of the assignment including the final Financial Manual, and the presentation material of the training workshop, and the assessment report that was prepared at the beginning of the assignment. The summary report included the following suggestions and recommendations:

- The SJC should work on implementing the development plan. Part of the plan was implemented by the development of the Financial Manual.
- The SJC should solve the issue of the accumulated amount of temporary deposits in the courts banks' accounts, such as transferring these amounts into revenues after obtaining the legal coverage of this issue. The SJC should get benefit from the temporary deposits for other developmental activities at the Judicial Authority.
- The SJC should consider the cancelled receipt vouchers at courts. The cancelled receipt vouchers at courts shall remain in the relevant court's archive. Each court shall prepare a list of the cancelled vouchers, which shall be approved by the court administrator. In addition, an auditor shall approve the list of the cancelled vouchers to verify the cancelled vouchers.
- The receipt voucher has various purposes that include various types of revenues and deposits, though the SJC should consider that the proper way is to separate amongst the revenues and the deposits.
- The software system should be fully utilized and integrated with necessary functional areas.
- The USAID- funded Netham project should follow up on the implementation of the newly adopted financial systems with the SJC relevant staff.

The project assignment was completed on August 31, 2008. The overall efforts of the financial assignment were carried out over 50 working days.