



USAID
FROM THE AMERICAN PEOPLE

**Development Experience Clearinghouse
SUBMISSION FORM**

(If submitting electronically, the "comments and missing bibliographic elements" box replaces this form.)

USAID award number (contract, cooperative agreement, grant, etc.): DFD-I-01-04-00173-00	
Strategic Objective (SO) title: Promote Democratic Reform	SO number: 11
Project title: NETHAM Rule of Law Program / Justice and Enforcement	Project number:
Document title/translated title: Diagnostic and Analytical Report for the Financial Department of the Palestinian Supreme Judicial Council	
Author(s): Netham Rule of Law Program / Justice and Enforcement	
Contractor or grantee name(s): DPK Consulting / a Division of ARD Inc.	
Sponsoring USAID operating unit(s): USAID West Bank / Gaza – Democracy and Governance	
Language: English	Publication date: February 2008
Abstract <i>(summary of most significant information, 250 word limit; optional):</i>	
Keywords <i>(suggested terms to describe content of document; optional):</i>	

Contact information for person submitting document:

Name: Nabil Isifan	Email: nisifan@netham.net
Telephone number: +972599266441	Today's date: 28/10/2009



West Bank and Gaza

NETHAM

Rule of Law Program

Justice and Enforcement

DFD-I-01-04-00173-00

Implemented by DPK Consulting

**Diagnostic and Analytical Report for the
Financial Department of the Supreme Judicial Council**

**Al-Whaidi Building, 1st Floor
Ramallah
Tel: 02-2974516/7
Fax: 02-2972230**



- 1.0 PROJECT INTRODUCTION

- 2.0 DESCRIPTION OF THE FINANCIAL DEPARTMENT PROCEDURES

- 3.0 ANALYSIS OF THE OPERATION AND THE RESPONSIBILITIES RELATING TO FINANCIAL DEPARTMENT

- 4.0 STRENGTH AND WEAKNESS

- 5.0 RECOMMENDATIONS

1.0 PROJECT SUMMARY

This initiative came within the frame of the mutual cooperation between Netham Program, funded by the United States Agency for International Development - USAID, and the Supreme Judicial Council SJC. The main goal behind this initiative is to provide technical assistance to the SJC to enhance and support financial issues through upgrading, following up and monitoring all financial procedures to include revenues, deposits, procurement, budgeting issues and all Financial Department employment regulations and procedures.

A contractual agreement was signed with financial consultant Ghassan Rabai'a for the execution of this initiative to provide the best possible outcomes, inclusive of identifying the roles and responsibilities of all parties involved; this was executed in cooperation with Netham team, SJC Department Managers and financial department employees. This report provides an inclusive summary which identifies the SJC's financial strong and weak points as well as the recommendations needed to enhance work conditions in executing all financial department main tasks.

According to the Terms of Reference, the diagnostic analysis includes the following activities:

- Assessment of the financial components, including financial bylaws, accounting procedures, financial internal infrastructure, communications and coordination, files and archiving, and internal regulations and financial control.
- Upgrade and develop the financial system/procedures, to include accounting, procurement procedures, internal revenue and control, revenues and deposits issues.

The evaluation process was completed based on the following approach:

First: Review, examine, and analyze all documents relating to the Supreme Judicial Council and its internal systems and strategy.

Second: Field visits, meetings, and focus group sessions with all department employees along with conducting several meetings with the Administrative and Financial Manager.

Third: Analyzing the existing data, examining content, and providing recommendations.

2.0 DESCRIPTION OF THE FINANCIAL DEPARTMENT

2.1 DEPARTMENT ORGANIZATIONAL STRUCTURE

Through observing and analyzing the financial department structure, it was noticed that there is a clear shortage of employees and inefficiencies due to the absence of several administrative levels. For example, it was found that the Manager of the whole financial department has no middle managers to oversee mid-level operations. There was also a difference between what is officially stated in the financial department regarding the department structure and what was actually applied. Finally, there were some employees officially employed by other departments but working in the financial department even though they are not technically qualified for the jobs.

The current financial department includes the following units:

- Deposits & reserves unit
- Revenues unit
- Expenditures unit
- Purchases, storage and supplies unit
- Financial auditing by the Ministry of Finance (MOF)
- Internal Financial auditor
- Wages and Salaries Unit

All these units combined contain only 10 employees.

2.2 HUMAN RESOURCES

There are 10 employees in the financial department including the Financial Manager, the messenger and the financial auditor from the MOF. Also, still there are a number of proposed units that are still vacant at the present time (recruiting is in-progress to bring in new employees). The distribution of the workers is as follows:

Unit	Name	Job	Education	Specialization	Training courses	Years of experience	
						Outside	Inside
Administration	Salam Khader	Financial Manager	Bachelor degree	Accounting	---	24	---
	Manal Omar Al Kharobe	Treasury	High school	---	Outside 1	3	7
Reserves & deposits unit	Rema Hana	Head of section	Diploma	Accounting	1 inside	1	8
Revenues	Mahmoud El Saraj	Head of revenues section	Bachelor degree	Accounting	1 inside	---	6
Expenditures	Saleem El Salhy	Head of the section	Diploma	Accounting	1 inside	19	5
Supply and warehouse	Mahmoud Shehada	Head of section	Diploma	Accounting	1 inside, 2 outside	4	10
	Genaa el Khateeb	Assistant	Bachelor degree	psychology	3 inside	---	7
	Mourad Fathy Awad	Store keeper	Bachelor degree	accounting	1 inside	---	1
	Ihab El Helow	Assistant to store keeper	High school,	Accounting	1 inside	8	---
	Bashar El Laham	Supplies employee	Intermediate school	----	---	--	--
Others	Um Khaled	Messenger, Cleaner,	Primary school	---	---	---	---
	Financial Auditor - MOF						
Total	12						

There were several issues noted regarding work experience, specialization and education of the staff as follows.

- **Education:** A shortage of qualified people within the department; most of the employees have diploma degrees and only 3 employees have a bachelor degree. There are two unqualified employees with less than high school education.
- **Specializations:** Most of the specializations are in the accounting or business administration fields. Although there is few other specializations (psychology).

- **Training courses:** Few employees have participated in training courses, also most of this training was related to computers and none of the courses had anything do with the technical field (accounting, finance...).
- **Experience:** Work experience is divided as either internal within the SJC or outside or in places other than the SJC. The inside experience varies from a maximum of 10 years and a minimum of one year while the outside experience can reach for some employees 20 years of work experience working in the same fields.

2.3 CONNECTION WITH GAZA

The Supreme Judicial Council is divided into two main branches; Gaza and Ramallah. The Gaza Branch was considered the main branch where all documents are filed. Responsibility, authority and relations with other governmental departments also occurred in Gaza, while the Ramallah branch was simply a secretarial branch that took orders from Gaza Headquarters. This structure had a negative effect on the skills and the quality of employees as it prevented the financial department located in Gaza from dealing with other departments and preparing important financial functions such as budgeting. Also there is a large difference between the sizes of operation between the two locations.

3.0 ANALYSING THE OPERATIONS AND JOBS AT THE DEPARTMENT

3.1 JOB DESCRIPTION:

Primary functions for the financial department units can be described as outlined below.

#	Section	Main operations
1	Reserves & deposits unit	Receive all deposits from the people/clients Deposit cash received to the Bank Give deposits to the assigned people Supervise and monitor payments and receipt operations Prepare monthly Bank Statements Prepare financial reports
2	Expenditure	Collect bills receipts Review and audit Prepare all receipt documents Prepare checks and bank transfers Communicate with the Ministry of Finance Record financial transactions Follow up financial instructions Spend from the petty cash
3	Revenue	Receive lawsuit charges Deposit cash received to the Bank Prepare revenue reports Check auditing receipts reports Prepare bank statements
4	Purchases & procurements and supplies Unit	Identify needs of purchases Follow up on buying the supplies Keep the supplies and inventories Check the inventories

3.2 FINANCIAL DEPARTMENT CURRENT PRACTICES

Interviews were made with all the employees, the head of the units, in addition to the general manager and financial department manager to gain an understanding of current policies and procedures.

3.2.1 RESERVES & DEPOSITS UNIT

This unit's main task is to follow up deposits (money) taken from the citizens relating to lawsuits being processed in the courts. The unit receives the deposits and returns the funds to assigned people at the end of the lawsuit. , spending these amounts should only be from the deposits' account of each court. The following is a description of the unit's current situation:

- The Enforcement Officer at each court makes these transactions.
- These employees are relocated from one court to another on frequent basis.
- The money is being saved in separate bank account for every Enforcement Unit and according to the currency, which means that at least there are 24 different bank accounts.
- The transactions are being recorded manually and not through a computer program.
- There is only one employee to follow up all transactions at the financial department, which means a heavy work load.
- Accumulation of money that was not paid back to legal owners will be legally owned by the SJC after two years (if the money stayed in the account for two years without being requested from anyone).
- Interest is commingled with the original payments. Accumulated interest by law should be paid to the Ministry of Finance, however, since there is no tracking of and accounting for interest separately, this has not occurred.

3.2.2 EXPENDITURES UNIT

- **Expenditures:** there is only one employee in the expenditure unit to execute the expenditure transactions, and sometimes the manger helps in such transactions. The unit receives the requests and invoices, determines the fees, receives the payments and finally records the transaction in the automated system.

Also there is another accounting program (not approved by the Ministry of Finance) to record all expenditure transactions, which would results in two types of accounting records. After getting all the signatures needed, the checks are being handed to the concerned parties.

- **Petty cash:** there are two Petty Cash accounts at the SJC. The first is located in the SJC main branch and it is in the Shekel currency, and it contains 2000 Shekel. Through this account, transactions are being paid though receipts collected and categorized in a report. Also there is another account which is in the Dollar Currency and it contains 450 dollars; this account is being replenished by the Chief Justice and it follows the same procedure as the first account.
- **Courts' Petty Cash:** there is no petty cash assigned for the courts. All the courts receive needed petty cash from the central management branch in Ramallah, even if the amount of payments is small, taking into consideration that hospitality payments are not allowed for the courts.

The SJC expenses can be divided into two types:

- Expenses paid directly by the MOF such as electricity and water bills.
- Expenses paid by the SJC; these are also divided into three subparts:

- Expenses that are set by the budget and hence not covered by the MOF
- Expenses that are not included in the budget. These expenses are paid by the SJC and must be approved by the Chief Justice in communication with the Ministry of Finance to obtain the needed authorization.
- Donations from donors and mainly capital expenditures such as furniture and equipments.

3.2.3 REVENUES UNIT

The main function of the unit is to control the revenues in the different courts, and it includes:

- o Verifying the amount of money collected as recorded on each page of the receipt vouchers
- o Checking and verifying that all payments have been recorded in the summary report
- o Reconcile the bank reports and statements

The operation of collecting money is done separately by each court. Because citizens pay all lawsuits charges, these amounts vary according to the case, and the payment is made to the treasurer who issues 4 receipt copies to:

- o The person who pays the money
- o A copy to be attached with the case file
- o A copy to be sent to the revenue unit to be checked by the MOF
- o Last copy stays in the receipt book

In every court and at the end of every working day, an overall reconciliation is made of all the received money and then transferred to the bank before closing the account. Recording the total amount of money in different accounts is done manually. No payments are accepted after closing the account unless there is an emergency. At the end of the month, the treasurer prepares a report detailing daily receipts and sends it to the auditor to be reviewed and compared with the receipts from the banks. The bank account for the payments received is for all the courts and it is owned by the Ministry of Finance.

The average number of receipts received each month varies between 600-1000 receipts, from 13 courts with the volume varying according to the city and its population. All receipts processes are done manually.

3.2.4 PURCHASES AND PROCUREMENT - SUPPLIES UNIT

In this unit there are five employees and they perform the following tasks:

- o Purchasing
- o Receive supplies and distribute them
- o Safe keeping and inventory

Current policies and procedures are as follows:

Needed materials are requested, first by the department managers and the courts which are in turn supplied, if available, by the supply room of the SJC. In case the requested materials are not available, the unit prepares a purchase order to buy materials according to the system set by the PNA. The procurement process varies depending on the dollar amount of the purchase.

- Direct purchase of materials under the value of 1000 dollar
- Request for Quotation for purchases in the amounts between 1000 dollar and 15000 dollars
- Tendering for purchases above 15000 dollars

Once the procurement process is complete, a committee is formed to receive the purchased materials and make sure that they are delivered according to the specifications set in the purchase orders. Specific templates are used in the purchasing process; being approved by MOF.

Inventory and assets: the SJC faces many difficulties in managing its fixed assets due to the following reasons:

- The records and reports were in the HQ in Gaza.
- Some of the grants went directly to the courts and didn't go through the supply and procurement unit
- Lack of employees at the department and courts that can count and collect the data about the assets.

These factors contributed to having late inventory for the assets owned by the SJC. As of today, most assets are recorded in a computerized system at the supply unit, and also these inventory figures were reviewed, where every item has a specific number and location, even though there still are some grants not recorded due to absence of purchasing documents.

On the other hand, there is no special system for the SJC to manage the inventory which is important for the financial department to be able to follow up on everything they have in the SJC, taking into consideration the number of courts and the wide spread geographic distribution of these courts in the West Bank and Gaza.

3.2.5 BUDGET AND PLANS

Budget: Until 2007, SJC financial budget used to be set by the HQ in Gaza. And usually the budget is set for the MOF purposes and not as an indicator to monitor the performance of the expenditures category. But for 2008, the financial budget has been set by the financial department in Ramallah; however, it has not been completed yet. The budget is determined according to some bases that are unclear and weak; there is a dependency on the budget of the previous year without having any statistical analysis or expectations of performance. On the other hand, the MOF does not work according to approved budgets, as it only transfers small amounts of what the SJC needs, normally not exceeding 30% or 40% of what is set in the budget.

Financial Planning: the SJC does not prepare real financial plans either for the department employees or for any other department. Hence there are no specific documents or indicators that show actual performance vs. planned performance. The reasons behind the weaknesses in planning and budgeting can be summarized as follows:

- Until 2007 the budgets were set in Gaza
- Absence of qualified professional employees to prepare budgets and plans.
- Lack of commitment within the SJC to support the process of planning

3.2.6 WAGES

Like all PNA employees, the salaries of SJC employees are paid by the MOF. Currently, the administrative department is fully responsible for all issues related to salaries including communications with the MOF and the General Personnel Council. The financial department in the SJC does not have anything to do with salaries; for example they do not perform any analysis or comparisons between what is paid and what was budgeted.

3.2.7 PREVIOUS ACTIVITIES AND WORK DUPLICATION WITH THE ADMINISTRATIVE DEPARTMENT

Due to the physical distance and separation of the financial department and the SJC HQ in Ramallah, and due to the absence of a financial manager in the past, some of the financial transactions are performed by the administrative department, such as preparing emergency money transfers. As for the supplies and warehouses, before hiring the financial department, it was managed by the administrative manager.

3.3 INTERNAL AND EXTERNAL COMMUNICATION SYSTEM

The communication system in the department is weak, as it depends on direct interaction between the employees and verbal instructions. There is no well defined and unified mechanism for the following:

Reports: there are no scheduled regular reports about work activities and outputs. Only managers prepare reports upon request.

Meetings: there are no scheduled regular meetings for the employees in the department, but instead it is only for individuals and also upon request

For the external communication, mainly with court treasures and the accountant responsible for receiving payments from the people, it also suffers from the following:

- Employees do not have authorities to directly communicate with courts without passing through the manager first, which creates obstacles in completing procedures and following up.
- Lack of telecommunication tools such as telephones, emails, or faxes, etc. There is one phone line only in the department and it is used for phone calls and fax which reduces the ability of employees to use it. It is worth mentioning that there is a need to at least one call per day to these departments to inform them with the new exchange prices and other follow up procedures. Also there are no mobile phones available or internet for the employees to use.
- No transportation is available for employees to move from place to another to perform field work at the courts.

3.4 EVALUATION AND INCENTIVES

There is no system to evaluate the employees and their performance in the council, but the only way to evaluate the employee is according to the annual evaluation which is used for the General Personnel Council and it is not used for the purpose of giving incentives to the employees. Also there is no clear policy about the incentives, and that is because these issues are related to the other governmental organization like the Ministry of Finance. Also there are some employees who were prohibited from these incentives either from the MOF or the General Personnel Council or both. This happened with some employees in the financial department, where they were promoted to become head of a unit before it was canceled by GPC.

Also there are no training programs, and no employee had any kind of trainings in their work fields, but instead the training courses were all related to typing and computer issues.

4.0 STRENGTHS AND WEAKNESSES

4.1 STRENGTHS

- 1- There is a clear commitment and decision to go ahead with development efforts to improve performance.
- 2- Some of the SJC staff has various skills that enable them to improve themselves in computer use and auditing.
- 3- The SJC has hired a professional Financial Manager during the last year.
- 4- Making use of donors' fund and financial support projects that target the SJC institutional building, along with the grants given to rebuild Courts headquarters.
- 5- Providing some computers software's and programs to a various activities, especially Mizan Software, along with having a good ability to connect such programs and make use of them for revenues and deposits issues.
- 6- Having some appropriate office supplies and facilities, such as library, and computers which fulfils current staff needs.

4.2 WEAKNESSES:

We can summarize the SJC weakness points as follows:

1. Significant shortage of qualified employees in all units such as accounting, procurement and budget plans.
2. Lack and weakness of staff training, evaluation and elements of motivation as well.
3. Lack of internal communication mechanism and lack of polices and procedures for writing and preparing reports and meetings documentation.
4. Lack of external communications mechanism as a result of not providing staff with phones or even internet despite the actual need and for the constant follow up between departments.
5. There are large amounts of money in the deposits unit for lawsuits or as accumulated benefits that need to be addressed.
6. The presence of two programs for the expenses and the need to use only one accounting software that meets Ministry of Finance requirements.
7. Lack of revenues' reconciliation as a result of the huge volume of work (at the time that it is one employee responsibility), along with inadequate financial reports.
8. Absence of a system that follow up institution inventory.
9. Lack of financial planning and budget skills.
10. There should not be separation between Financial Department and other departments, as there a significant need to have all these departments in one place, as it facilitates ways of communication & networking between departments and to avoid tasks duplication in implementing such tasks.
11. The wide dispersion of courts in the West Bank.
12. Absence of internal auditor who follows up and reviews all financial operations and monitors all employees in the department.
13. Lack of documented financial policies and procedures.
14. Weakness & absence of archiving system.
15. Not adopting a specific policy of delegation to ensure tasks implementation in the absence of any employee.
16. Lack of consistant meetings and training courses for all employees to give them more information about financial matters.

5.0 RECOMMENDATIONS

We can divide it into two sections, general recommendations, and specific recommendations:

5.1 GENERAL RECOMMENDATIONS:

- 1- There should be clear financial authorities for all SJC departments to avoid any overlapping or duplication among department tasks.
- 2- Hire professional employees specialized in accounting and finance.
- 3- Prepare a specific job description for each position in all units
- 4- Provide training courses in accounting, finance & management areas.
- 5- Set consistent meetings between treasurers and financial department employees, along with training them to enable them to achieve their work properly.
- 6- Improve all means of internal communication through reports, regular meetings and documentation.
- 7- Improve means of external communication, through increasing number of phone lines, internet along with securing means of transportation for follow up.
- 8- Establish short- term action plans for each employee to be monitored by the responsible person. This plan should be discussed between all unit employees and documented as well.
- 9- Make a separation between the Courts Archive and storage, and assign a key for each section.
- 10- Adopt a delegation policy that ensures tasks implementation.

5.2 SPECIFIC RECOMMENDATIONS

5.2.1 EXPENSES UNIT:

- To adopt one software program for accounting interest, to cover all SJC requirements.

5.2.2 PURCHASES & PROCUREMENTS AND SUPPLIES UNIT:

- To execute inventory and asset recording and physical count process on annual basis and to be implemented by forming a specialized committee to follow up this process in all courts and SJC departments.

5.2.3 DEPOSITS & REVENUES UNIT :

- 1- To use specific receipts for all revenues and deposits.
- 2- To adopt accounting software to register and document all depositing operations and to daily pass it to the financial department.
- 3- Reconcile accumulated deposits and funds, by hiring more staff to audit, monitor and reviewing prior bank statements, to separate accumulated amounts and benefits from the amounts which are still pending payments or have been settled.
- 4- To open new bank branches, within the same units for those banks the SJC deals with (In Nablus, Hebron, Ramallah, Jenin) and to be supplied with all needed services from the SJC or any donor as well. This should be done after preparing a feasibility study prepared in cooperation with both bank and the SJC itself.
- 5- To make use of MIZAN software program in all its abilities for addressing financial matters, since there is a need to have an such integral judicial program within all courts, to cover completely all financial issues, at the time that the current program provides this service and also includes specific disciplines concerning all financial matters and reports.
- 6- To make use of the information technology capabilities through improving financial programs and software.