



REZAN

Rezan Organization Financial Policy

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I. Objective:

The goal of financial management, in the conduct of all activities and work of the Organization, is achieving of Rezan's mission through more effective and efficient methods. And to maintain the possibility of accountability to stakeholders and interests, including customers, partners and financiers, employees and the local community. In order to achieve this, the Organization is committed to the provision of accurate and complete data for internal and external use by the Executive Director and Board of Directors.

II. Prerogatives:

- The administrative board is ultimately responsible for the financial management of all activities.
- Finance Committee is mandated to act on behalf of the administrative board in financial issues that belong to the Organization when there is a need to implement some work.
- Executive Director shall be responsible for the daily financial management and operations of the organization's programs. The administrative board mandates Executive Director to contract with donors to provide services, the use of staff and independent consultants and supervise their work, contracting for goods and services, pay the bills and receipt of funds and follow-up bank accounts.
- Authorize the Executive Director, with one of the administrative staff of class (b) except financial manager, for signing checks up to amount of **1,000,000 Iraqi dinars**. While two people should sign amounts in excess of that, one of them should be the Executive Director or his representative while the second one is a member of the senior management, except the finance person. Cash payments. valued at more than two million Iraqi dinars is paid in form of checks / banks transfer.

III. Administrative board responsibilities:

Board of directors will do the following:

- Approving annual budget and operational plans for each fiscal year.
- To put the organization policy and developing it in terms of detecting and preventing fraudulent actions.
- Approving the organization policy and developing it to prevent conflict of interest and to protect the organization's interest when having transaction or arrangement that could lead to personal benefit of a manager, an officer or employee of the Organization.
- Investigating any declares or claims in conflict of interest of a member of BoD, executive director or other employees concerned regarding approving purchase orders and cash payments.
- Ensure that administrative board members, in addition to the executive director and other employees, concerned in the approval process of purchase orders and cash payments through filling out an annual status form according to the conflict of interest policy.
- Reviewing financial reports in each board meeting.
- Developing and managing a financial policy for the administrative board and employees, **and reviewing this policy once a year.**

IV. Executive director's responsibilities:

Executive director is to do the following:

- Manage daily operations in the organization within the limitations of policies and operational plans that are approved by administrative board.
- Improving processes of financial management, processing transactions, registering transactions and reporting them based on this policy.
- Manage expenditures within approved budget's framework, providing quarterly reports for the financial committee about differences in expenditures compared to the budget. Also, explaining reasons for these differences and contracting the service providers and process all obligations to achieve the needs of the programs based on these policies.
- Contract with donors to provide services when these contracts within the plans and objectives of the organization, and as approved through the regular meeting of the board.
- Prepare statements of restricted funds by donors and approved funds by the administrative board, and create a specific, separate from general operations funds, account and determine applied restrictions to those funds precisely.
- Prepare periodic reports, on time, with reports required by government agencies.
- Prepare periodic reports, on time, with reports required by donors according to regulations of the Iraqi government and within agreements with donors.
- Make recommendations to the administrative board on bank loans and corporate credit cards, real estate or rental or purchase, and must obtain the approval of administrative board on contracts relating to business and provide periodic statements of the movement of the organization's resources.
- Apply the organization policy for Anti-corruption and conflict of interest that are approved by administrative board and provide training for all employees.
- Conducting the investigation and resolve all allegations of corruption cases by the staff and inform the administrative board during the regular meetings of the Board.
- Follows, with a member of the administrative board, spare accounts of the organization.

- **Financial transactions and conflict of interest:**
 - Executive Director commits to the policy of the Organization in the area of conflict of interest, which have been put in place to protect the interests of the organization in any transaction or arrangement that may lead to benefit the personal interests of the director, officer or employee in the organization.
 - All officials, managers and staff must report any act results, or it seems to result in personal, institutional or professional profit. Otherwise, will be subjected to questioning in accordance with the internal law.
 - Executive director trains all employees about the conflict of interest policy and apply reporting mechanism about any possible conflict of interest.

- **Acceptance of gifts and rewards:**
 - Employees, and their direct family members, and members of administrative board are prevented from receiving gifts, cash or rewards from:
 - People who are receiving benefits, gains or services from the organization.
 - Any person, or entity, that provides, or going to provide, services according to contract with the organization.

- People in position allows them to benefit from works of any employee in the organization.

- **Rewards:**

- A reward, that is intended to be paid, must be paid to any employee in the organization for activities related to the employee's work with the organization through written approval by the executive director.
- An employee can, with the executive director written approval, accept rewards for lectures and other activities carried out during holidays, compensation days-off, annual leaves and unpaid leaves.

- **Advances:**

- Advances are allowed for employees and managers in the organization, as compensation can be done later for direct and necessary expenditures, including travel expenses to attend meetings and other activities related to official responsibilities, all with the approval of the director.
- Long term advances are allowed to employees and contractors in order to travel or allowable and appropriate spending to serve the goals of the organization, and after the approval of the Executive Director or his authorized representative. You must provide advances from petty cash fund and recording in a correct accounting way.
- The organization will not support any way to borrow money from any employee, officer or director of the organization without a specific mandate from the administrative board.

V. Accounting, procurement and auditing

The executive director ensures the following:

- The development of accounting procedures for the management of financial records, supporting documents, statistical records and all other records that support the performance of programs' activities that adhere to accounting standards generally accepted in Iraq and the international community.
- Identification of accounting policies and procedures appropriately for the process of funds receipt and paid by recording accounting transactions in the Registers of accounts and money by using the appropriate documentation system.
- A receipt for every spending process Must be obtained, and must specify the receipt clearly the material that has been purchased and the date of purchase and the name of the supplier/ seller, must also state target commercial operation for each spending if that was not clear in the receipt.
- If it is not possible to obtain a receipt for goods or services obtained. Then must develop a mechanism for documentation (such as finding general receipt determines the material that been purchased and documented to be work-related by the buyer or recipient of the service and the Executive Director. must also carry the signature of the seller or Service Provider).
- All expenses must be allocated correctly under the specified account (such as wages, benefits, rent, telephone, supplies, events, etc...).
- Business transactions are recorded within cost groups in the budget approved by the Board and the terms of any contracts or agreements.
- Revenues must be registered by donor/ client, and must also follow up expenses relating to contracts by donor/ client and register it according to terms of the contract.
- Financial disclosure Provides ways to compare actual spending versus budget estimates, according to the donor's receipts and expenditures related.
- Source documents, such as receipts, invoices, reports of travel and staff activity, must be kept for a period of three years, and must keep all documents in a secure location.
- Wages and bonuses paid correctly and recorded in accounts record:
 - The provision of employment agreements, contractors, paid wages, allowances and benefits based on the organization's policy for salaries and benefits.
 - Pay all the salaries and benefits of employees only after receipt of proper documentation. The disclosure of the documentation process requires of working hours' registry or any other document stating the completion of the work.
- Non-cash gifts and donations are calculated correctly in the accounting records. the organization accepts donations in the form of goods and services, in addition to cash, related to programs and operations of the organization. Moreover, must review any materials and other non-cash and approve it by the Board of Directors before acceptance.
- All the gifts of this kind are recoded in the books of the organization as donations in kind.
- Procurement of furniture and equipment are to be recorded properly in cash:
 - Recording furniture and equipment purchased by the price of 100,000 Iraqi dinars or more in the accounting records as capital assets.
 - Capital assets Consumed over no more than five years for furniture and equipment, or three years for computers or other technological equipment.
- The development and application of supply and procurement policies and its procedures to ensure that purchases are occurring for supplies, furniture, equipment and services in a manner consistent effectively with the cost.
 - Spending on supplies and services or subcontracts valued at more than \$500 seven hundred fifty thousand Iraqi dinars per unit or in the case of recurring services for each financial

year, require a competitive bidding process unless if possible to justify the purchase from a single source. You must keep all the documents that indicate the offers and how to choose a provider.

- Providers' contracts are based on the best provider according to cost, service and other offering elements, and it is not required from the executive director to accept the least offer.
- Any officer, director or employee does not participate in the selection process, referral or administration of any contract if there is a real or apparent conflict of interest. Such conflict arises when the employee, official, agent, individuals in his or her immediate family, an organization that operates or is about to occupy any of the parties mentioned here, a financial interest in the institution that have been selected for referral.
- Conduct an annual audit of the financial affairs for the Organization by an independent auditor at the end of each fiscal year.

VI. Budget

In order to ensure that the planned activities are reducing dangers financial risks and be committed to the priorities agreed by the board, and the long- term objectives of the organization and specific objectives, the Executive Director will do the following:

- Provide operational and capital budgets for the Finance Committee at a convenient time to get the reasonable approval of the Board of Directors before each fiscal year.
- Use of accountable assumptions and expectations for the overall objective to achieve absolute surplus of 3% or more to enable the organization to manage purchases and capital improvements.

VII. Internal regulations and asset protection

To ensure protection and proper maintenance of the organization's assets, the executive director is to do the following:

- Train all employees on fraud policy of Rezan organization.
 - Have all managers and supervisors responsible for detecting and preventing fraud, embezzlement and other irregularities, and each member of the management team to acknowledge types of offenses that could fall within the area of his/her responsibility, and be alert for any indication of a violation.
 - Managers and supervisors encourage employees to report any suspected violations in the field of fraud.
- Planning, implementing, protecting, and proper maintenance for properties, buildings and equipment.
 - Avoid behaviors that displays the organization and its board of directors or its employees for claims related to liability.
 - Protection of intellectual property, information and files from unauthorized or manipulated access or lost or cause significant damage.
 - Receipt, implementation, and disbursement of funds within adequate controls to maintain the fundamental distinction between the duties to protect bank accounts, income receipts and payments.
 - Secure the organization against theft and injury losses and against responsibility losses for board members and staff or the organization itself, to the levels referred

to in consultation with the appropriate professional references.

VIII. Conflict of Interest Policy

Objective and Applicability

- The objective of this policy is to protect the interests of Rezan Organization when considering entering into a transaction or arrangement that may lead to benefit the personal interests of the director, officer or employee in Rezan Organization.
- This policy applies to all members of the board, and committees' members who have the delegated powers by the board, and senior staff of Rezan Organization Also, it applies to the rest of the staff in the organization, and contractors who are negotiating and then agree on supply contracts and purchases or make related decisions, or who own material interests indirectly as defined below.

These individuals are defined as concerned persons for the purposes of this policy

Definitions

- **Concerned Person:** is any of the following persons or who has direct, or indirect, benefits as specified in the following:
 - Member in the Board of Directors.
 - Committees' members who are authorized with powers by the board. Senior managers in the Organization.
 - Employees or contractors who are negotiating or approving contracts, or take decisions related to procurement.
 - Other individuals.
- **Financial Benefit:** the concerned person has a financial benefit if he has, directly or indirectly, through investment or financial transactions or other financial arrangements, or through family links, which are to:
 - Ownership or investment interest in any entity that the Organization has a working relationship with.
 - Relationship as a member of the board, a committee, any other decision- making center, or as an employee in a partnership or joint venture or arrangements with other organizations that have working relationships with the Organization.
 - Arrangements for compensation for services provided to the Organization or with any entity or individual, that have business relationships with the Organization.
 - A position with the Organization that enables procurement, negotiating and accepting contracts or managing business with any entity or individual that have business relationships with the Organization.
 - A possible benefit of property or investment, or arrangements for compensation with any entity or individual that is under negotiation with the Organization.

Compensations include direct or indirect payments in addition to valuable gifts or big services.

The existence of financial benefit does not form a conflict of interest, necessarily. - a person with financial benefit is forming a conflict of interest case only when decided by the board, according to this policy.

- Independent person in the board: this is a person who has no direct or indirect, financial benefit as stated in Article 2 above. And, the member of the board is considered as an independent member for the purposes of this policy if:
 - Is not, now or previously, and for no less than 3 years, an employee of any entity that is connected with the Organization in any financial interest.
 - He did not have an important working relationship directly or indirectly, with the Organization that may affect the independence of the decision-making process.
 - None of the members of immediate family works, in a position of responsibility, a manager or employee of the Organization.

Procedures:

- Must disclose: the person concerned must, in the event of any situation of actual or potential conflicts of interest, to disclose financial interests and given the opportunity to disclose all material facts to the Board.
- Any member of the board can insulate himself/ herself at any time from participating in the discussion or decision that he/she believes might constitute his / her conflict of interest, without going into the process of determining whether there is actually a conflict of interest.
- Determine whether there was a conflict of interest: After disclosure of the financial interest and all material facts, and after any dialogue with the concerned person, the concerned person leaves the meeting with the board when examining the possibility of the existence of a conflict of interest and voting on it. Members of the board decides whether a conflict of interest exists.

- **Procedures to process conflict of interest:**

The concerned person shall, during the usual or unusual meetings of the administrative board, give a presentation on the possible existence of a conflict of interest. After the presentation, the person leaves the meeting, then starting discussion in the board on the issue and vote on the transaction or arrangement relating to the existence of a potential conflict of interest.

- If the council voted for no conflict of interest case, then the transaction or the arrangement, which caused the possibility of conflict of interest existence, can be proceeded.
- If the board decides there is a conflict of interest, it must take the necessary precautions and decide whether the organization can get a better chance to make a transaction or arrangement, do not result in a conflict of interest.
 - The board must make a reasonable effort to reach such decision. the administrative board can, if appropriate, to appoint a person who has no interest or a committee to look at alternatives to the proposed transaction or arrangement and make recommendation to the administrative board.
 - If the alternatives were reasonably possible, the council voted by a majority of independent members of the governing body to determine:
 - If the transaction or alternative arrangement in the ultimate favor of the organization.
 - If it was, fair and just.
 - If it was more useful than transaction or arrangement that created conflict of interest.
 - The board is to vote for the last time and take a decision about whether the transaction or arrangement will be made.
- **Violations of conflict of interest policy: failure to declare:**
 - If the administrative board has a reasonable cause to believe that one person has failed to declare an actual or possible conflict of interest as stated in Article 2, then the person will be notified about the essences
 - of such believe and give the person a chance to explain.
 - If the administrative board decided, after hearing the explanation of the person, and after further investigation as required, a fail to declare, to take disciplinary and appropriate corrective action.
- **Suitable corrective actions could include:**
 - A recommendation to the executive director to terminate an employee's services or take disciplinary actions. The final decision is for the executive director.
 - A recommendation to terminate a member in the administrative board of the executive director if violation occurred. The decision is valid by majority votes.

Periodical Revisions

Periodic reviews should be conducted to ensure that the organization operates in a manner harmonious with the specific target. In addition, must include the following annual reviews at least:

- Review arrangements for compensation of employees and allowances to determine whether they are reasonable, based on periodic evaluations and efficient survey information (if any reasonably) and the results of negotiations of an independent and equal basis.
- A review to determine the importance and timing of this policy.
- Review of all suppliers, including subcontractors who were paid by the organization more than \$5000 in order to help determine whether any concerned person has a conflict of interest.
- Review of partnerships and joint ventures and arrangements with administrative organizations and agreements of contracting subcontractors and purchases of important values (Purchases of one party valued at more than\$ 5000), in order to ensure that all arrangements are identical with the written policies of the Organization and it reflects a reasonable investment or payments for goods and services and they ensures objectives of the organization and it does not lead to personal interest, not permissible to the concerned person.
- Review to determine proper training for the Organization employees regarding this policy.

The administrative board, if deemed, the use of consultants from outside the organization at any time if necessary for investigational objectives or for developing a clearer understanding of the conflicts. That does not exclude the administrative board of their responsibilities in the event of use of experts from outside the organization.

IX. Anti-Fraud Policy

Background:

A policy to combat corruption been established to facilitate the process of developing controls to help detect and prevent fraud acts and all what described as corruption operations according to the content of this policy within the Organization. The Organization intends to encourage an institutional, persistent and harmonic behavior through the provision of guidance and define the responsibilities of employees in the organization for the development of controls and conduct of investigations.

Scope:

This policy applies to any existing violations, or suspected, related to employees and workers in addition to board members, advisors, providers, contractors, outside firms that works with the employees and/or any parties have work connections Rezan Organization.

Necessary investigation procedures will be performed without any consideration for the violator's service duration, position, title or the relationship with the Organization.

The Policy:

The management is responsible for detecting and preventing all works that present corruption and other forms of irregularity. That includes intended deception, misleading representation or concealment of material fact for personal gain, or pushing others to act according to that, causing them harm. Each member of management team will be acknowledged of types of offenses that can get in the scope of his/her responsibility, and be alerted for any indication of a violation.

This policy is to be available for all employees, and to be approved by the Organization BoD

Should any employee discover, or doubted the existence of any violation, to report it immediately to the direct supervisor, the Executive Director or any senior manager. Can anyone else, as a member of the Organization BoD, provider or funder, to submit a complaint about a suspected violation, as this policy applies to any complaints by them.

Acts that constitute fraud:

Expressions such as embezzlement, theft and other modes of misuse of funds or financial irregularities indicates the following, for example and without limitation:

- Any fraudulent, deceptive or dishonest act.
- Misappropriation of funds, supplies or other assets.
- Violation in handling money, financial transactions or reporting it.
- Disclosure of confidential information or private ownership to third parties.
- Accept, or seek anything that has material value from contractors, suppliers or persons providing services/ materials to the Organization, with the exception of meals or gifts valued less than \$ 25.
- Sabotage or transfer of records, furniture, fixtures and equipment, or using them improperly.
- Any similar or related violation.

Other violations:

Address violations related to the moral, ethical or behavioral actions of the employee by management at the organization level.

In case there is any doubt or question about whether a behavior constitutes fraud, a contact with the direct supervisor, executive director or finance and operations manager, is required for an advice.

Responsibilities of Investigation:

Executive Director or his/her deputy has the primary responsibility for the investigation process in all acts of suspected fraud related to staff and other complainants as defined in this policy. Investigation must complete within 30 days from the date of notification of the existence of a suspected fraud by the complainant.

A report of investigation is to be issued and be available to relevant staff and to be submitted to the BoD. Moreover, to inform the complainant about the outcome of the investigation.

The administrative body, based on a recommendation from the legal advisor and/or the executive director, takes decisions related to referring the case to judicial authorities. Or, to present results of research and investigation to law enforcement firms and /or organizational firms that are suitable to conduct independent investigation, in addition to final decisions related to resolving the case.

Confidentiality:

All information to be treated confidentially when received by direct supervisor, any other management member of the Organization, management board or the investigation unit (see below). Also, to ask the employee or the complainant to keep confidentiality when reporting fraud or a suspect of fraud.

Any employee doubts the existence of deceptive or fraudulent activity that constitutes corruption, notifies his direct supervisor, the Executive Director or any manager of high position in the organization immediately, and must not attempt to, personally, conduct investigations or interviews/ questioning related to any work of fraudulent suspect (see section on reporting procedures below).

In case of receiving a complaint from any provider or donor, then the employee or board member; who received the complaint, is to notify the executive director of any violations.

The investigations' result cannot be disclosed or discussed with any person, except persons who have legal need to know about them. This subject carries particular importance in order to avoid harming reputation of suspects who later found to be innocent of any wrong behavior, and protect the organization from liability or potential civil case.

All persons who have access to the information reported on the results of the investigations May be asked to sign a special agreement of information confidentiality. Service termination of any person, within the range of the reporting chain, may occur, if there is no respect for these confidentiality requirements. Alternatively, to be asked to resign from the BoD if he was a member.

Investigation Unit - Commissioning an investigation into suspected fraud

The Executive Director shall appoint a team of at least two people to form an investigation unit. Can this unit be included in the membership of any of these individuals: 1) Any manager/ director of High-position. 2) Executive Director. 3) Internal or external lawyer.

4) Member of the management body.

The team is responsible for the investigation of any allegation and proof of fraud and that it was intentional.

The members of the investigation unit have the following:

- Free and unrestricted access to all records and facilities of the organization, whether owned or rented, and must not withhold anything from the investigation unit, regardless of the degree to which appears to be irrelevant.
- The information can include, but not limited to, e-mails, handwritten notes, details of banking, accounting information, credit card receipts and records of telephone calls.
- Access and use of all evidences during the investigation period Authority to conduct a personal interview with any employee, and have all of the answers to the questions in writing, and to recorded details of the interview.
- This documentation is to be used as evidence in the investigation. Responsibility for the issuance of a written decision or written recommendation to the Executive Director.

Reporting procedures:

- Must take the utmost care and diligence during the process of investigation into suspected violations in order to avoid false accusations or alerting suspected individuals of the existence of investigation.
- Should any employee or any other complainant discovers the existence, or suspect, fraudulent activity, to contact the supervisor or the Executive Director or any manager of high position immediately.
- The employee or the complainant can remain anonymous.
- The other complainants are directed immediately to the Executive Director. In the case of a suspected of direct charge, executive director, or chief financial activity constitutes a corrupt action, the employee notifies a person who has not been discovered or suspected.
- All questions related to the activity under investigation Directed to the suspect, with his lawyer if desired, by the Executive Director or official legal department, if any, and notify Investigation Unit.
- Prevents any comment on the issue being investigated.

The complainant should be notified about the following:

- The executive director notifies the complainant, if not anonymous, and within 3 working days from the date of submitting the complaint, of the investigation unit members' names and the approximate date to accomplish the operation.

Termination of services:

If, as a result of the investigation, it was recommended to terminate some person's services; the recommendation should be taken and accepted by the specific representatives of the human resources of legal department. And/or by an external lawyer before taking any similar procedure. If the organization does not have such representatives, the recommendation is to be reviewed by the manager of the concerned employee's directorate, to submit a report to the executive director.

The investigation unit does not have the authority to terminate an employee's services; such decision is to be taken by the executive director.

Management:

Executive director is responsible of keeping the investigation files (to keep files for three years) and of managing, reviewing, explaining and implementing this policy.

To review this policy by the BoD each two years or less and to edit as needed. The documentation and training of employees is to be conducted on annual basis.

This Policy Book is approved by:

Date:

Reviewed by”

Date

This Policy Ends Here