

# SAUDI ARABIAN OIL COMPANY (Saudi Aramco)

## GENERAL INSTRUCTION MANUAL

GI NUMBER Approved

53.006

ISSUING ORG. TREASURY SERVICES DEPARTMENT

ISSUE DATE 02/27/2010	REPLACES 03/21/2005
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SUBJECT CUSTODIANSHIP OF COMPANY FUNDS

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### CONTENT:

This instruction outlines responsibilities and procedures for the handling of Company funds, the opening and closing of Imprest Funds, reporting and booking cash differences, and cash counts and inspections. The text hereof includes:

1. Glossary
2. Responsibilities
3. Protective Measures
4. Imprest Funds
- \* 5. Opening, Increasing, Decreasing, Closing and Storing Fund
6. Changing Custodianship, Organization Name, and Code
7. Reporting Cash Differences
8. Booking Cash Differences
9. Inspections and Cash Counts

### APPENDIX 1 Minimum Security Requirements for Storing Petty Cash

### 1.0 GLOSSARY:

#### 1.0 Abbreviations and Acronyms

TSD	Treasury Services Department
BOD	Banking Operations Division
SCMM	Supply Chain Management Manual
MPS	Miscellanies payment system
IO	Internal Order

### 2.0 RESPONSIBILITIES:

Department heads will be administratively responsible for all Company funds handled by personnel within their departments.

- \* 2.1 Company funds referred to in this instruction include (1) Checks received from any source (2) Cash Working Funds (3) Imprest Funds (4) other funds of a similar nature.
  - 2.1.1 Cash received by the proponent department must be deposited at one of the Company's General accounts maintained with local banks daily. Alternative arrangements should be coordinated with TSD.
  - 2.1.2 The custodian will send a copy of the bank credit advice along with a letter containing the deposit reason to the Administrator, BOD
- 2.2 Custodians are accountable for funds assigned to them and are required to be familiar with this and the following General Instructions pertaining to safekeeping and custody of funds as applicable;
 

GI 211.070,	Miscellaneous Payments
SCMM CU 01.06	"Petty Cash Purchases by Saudi Aramco Organizations"

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A fund shall have only one custodian at a time except as described in Paragraph 2.3.1 and 2.4.

2.2.1 A custodian, upon approval of his department head, and for a specific purpose and period of time, may sub-divide the fund among several sub-custodians, provided he obtains a receipt for each sub-fund. However, the custodian still has primary responsibility and will be held accountable for the total fund assigned to him.

2.3 Large funds of SR100,000 or more should be designated as Dual Control or Dual Custodian Funds. These funds are defined as follows:

\* 2.3.1 Dual Control: One custodian will be fully accountable for the fund and its activities, but cannot gain access to the fund without an assigned control man. The custodian and the control man each has a separate combination or key.

The function of the control man will be controlling the assigned access to the fund which is normally the opening and closing of safes at the beginning and end of each business day. As may be required, he may observe and attest the transaction activities and the fund balance. Funds under dual control are Imprest Funds of SR100,000 or more.

2.3.2 Dual Custodianship: Two custodians will be fully accountable for the funds and the activities of such funds, each with separate combination or key so no one person can gain access without the presence and participation of the other. Funds with BOD are dual custodianship.

2.3.3 In either case, dual control or dual custodianship, a log must be maintained of all funds withdrawn or placed in the safe or vault (normally at the end of each business day). Signatures of the custodian (s) and control man will be required on each entry.

### 3.0 PROTECTIVE MEASURES:

Custodians should be vigilant in protecting Company funds. When not in use, funds shall be placed in locked and adequately secured storage and shall not be left on top of desks, counters, or otherwise be accessible to unauthorized personnel.

3.1 Custodians must count and balance funds every day in which transactions occur; they must be absolutely certain that they are able to account for the total amount of the funds at all times.

3.2 Custodians shall be the only persons permitted access to locked funds assigned to them.

3.2.1 Safes & Vaults: The custodian should prepare a memorandum indicating the safe or vault combination and seal it in an envelope, Safe and Vault Combination, for processing as follows:

\* 3.2.1.1 BOD: Envelopes containing Safes or Vaults combinations should be hand-delivered to the Administrator, BOD for appropriate distribution and safekeeping. Duplicate keys of locked boxes or compartments shall be placed in sealed and identified envelopes and handed over to the Supervisor.

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\* 3.2.1.2 Imprest Funds: Combinations of safes and/ or duplicate keys of locked boxes or compartments of Imprest Funds shall be placed in sealed envelopes, by the custodian(s)/control man, and retained with the supervisor / the division head or the department manager of the funds custodian. These sealed envelopes should be protected and safeguarded against loss or accessibility by unauthorized personnel.

\* 3.3 Custodians are responsible for bringing to the immediate attention of their supervisors any inadequacies in safekeeping facilities or operating conditions under which they must handle funds. The Supervisor shall institute corrective measures and bring the matter to the attention of the appropriate level for action. Any issue that may undermine the security of the fund shall be brought to the attention of the department manager who should arrange for immediate corrective action under advice to the Administrator of BOD, Treasury Services Department.

### 4.0 IMPREST FUNDS:

\* An imprest fund is a fund established in a specific amount for a specific purpose. The amount of this fund shall remain constant, accountable in cash, receipted disbursements, a combination of both, or in some instances stamps. When approval has been given to open a fund for a specific purpose, that fund may not be used for any other purpose without prior approval of the TSD.

4.1 Funds may be established for payment of miscellaneous expense directly related to the operation of the requesting department, subject to limits and guidelines of SCMM CU 01.06.

\* 4.2 There may be times when unusual circumstances warrant a deviation from these rules, in which case prior approval must be obtained from the TSD. In cases where it is impractical to contact the TSD, the Manager Saudi Aramco Affairs in Riyadh and Jeddah are authorized to use imprest funds, at their own discretion, with respect to the types of expenditures mentioned in paragraph 4.1.

4.3 Custodians shall request replenishment of funds at month-end and more frequently when needed. Replenishment must be requested via SAP Miscellaneous Payment System "MPS", payable to the custodian and properly supported with receipts.

### \* 5.0 OPENING, INCREASING, DECREASING CLOSING AND STORING FUNDS:

A fund shall be established on fulfillment of the following requirements:

5.1 A written request signed by the Department Head, shall be addressed to the Manager, TSD attention Administrator, BOD stating:

5.1.1 Purpose and justification of fund (only items directly related to the operation of the requesting department should be reimbursed through imprest funds).

5.1.2 Type and amount of currency required.

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- \* 5.1.3 The requesting department manager should confirm that the location of the proposed fund and the safekeeping facilities meet the Area Industrial Security Operations Department security standards and requirements for storing petty cash funds. Refer to the attached appendix 1 Minimum Security Requirements for Storing Petty Cash in amount of SAR 10,000 or greater.
- 5.1.4 Name and identification number of the employee to be charged with custody of the fund. Only long service employees, preferably Saudi Arab, should be assigned custody of the fund.
- 5.1.5 Title and name of the Supervisor under whom the custodian works.
- \* 5.2 A payment request should be submitted through the MPS system, under "Employee payments; New Petty Cash Fund". The letter prepared in Paragraph 5.1 must be attached to support the request. After the employee's Department Manager's approval, the request will be routed to the Administrator, BOD for final approval.
  - 5.2.1 If the request for establishment of a fund is accepted the Administrator, BOD will authorize the payment by approving the "MPS" payment via SAP.
  - 5.2.2 The payment shall be made by check in the amount requested payable only to the custodian of the fund.
- 5.3 BOD of TSD shall be responsible for assigning numbers to all newly established funds.
  - 5.3.1 The original letter of request shall be retained by the TSD.
- \* 5.4 In the event an increase in the amount of a fund is believed necessary, the proponent department manager should justify in writing the additional amount required and secure the approval of the Administrator, BOD. Procedures to be followed are as in Paragraph 5.1 and 5.2 above.
- 5.5 The proponent department head should periodically review the activity of the funds to determine whether it can be reduced or closed.
  - \* 5.5.1 In the event the authorized amount of the fund is greater than the proponent department current requirements, the custodian shall deposit the excess amount of the fund at one of Saudi Aramco bank Accounts. The custodian will send a copy of the credit advice along with a letter signed by the Department Head to the Administrator, BOD.
  - \* 5.5.2 A fund no longer serving the purpose for which it was established shall be closed after a final replenishment. The custodian will deposit the total amount of the fund at one of Saudi Aramco bank accounts. The custodian will send a copy of the credit advice along with a letter signed by the Department Head to the Administrator, BOD.
- 5.6 The management of the department holding petty cash funds should periodically perform surprise cash counts of funds assigned to their department to ensure that the amount of the fund is accounted for accurately. This action should be documented.

### 6.0 CHANGING CUSTODIANSHIP, ORGANIZATION NAME, AND CODE:

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Changes in custodianship shall not be made without approval of the proponent department head. New custodians shall issue receipt for funds transferred from the previous custodian after both parties have counted and balanced the funds.

6.1 In case of change of the custodian of the imprest fund, Form SA-3020 (Change of Imprest Fund, Custodian) should be completed and approved by the concerned department head and sent to the Administrator, BOD. One copy should be sent to Payroll Division, and copy to the custodian.

6.1.1 In the absence of an assigned custodian of a fund, the Supervisor, or higher level should obtain the sealed envelopes containing combinations or duplicate keys. The supervisor of the custodian or higher level employee, along with another employee should open the sealed envelope and complete cash count at the time the safe, vault or box is opened. A report signed by the supervisor and the other employee, as witness should be sent to the department head detailing contents ( cash, documents) and the new assigned custodian of the funds.

6.1.2 In the event the count reveals a cash difference in a fund, the supervisor shall conduct an investigation immediately (see paragraph 7).

6.1.3 Any outstanding replenishment payment, payable to the old custodian shall be recalled by the department concerned before issuing a new payment payable to the relief custodian.

6.1.4 In case of any changes of the organization names or codes, TSD must be informed by sending a letter to the Administrator, BOD signed by the concerned department head.

### 7.0 REPORTING CASH DIFFERENCES:

Custodians shall report any overages or shortages in funds to their supervisor immediately upon discovery.

7.1 The Supervisor, in conjunction with the custodian shall verify differences, determine the cause, and take any corrective action necessary. Corrective action should include (1) recovery of any shortage or return of any overage, if possible, and (2) measures to prevent recurrence of errors of a similar nature.

7.1.1 The Supervisor shall count the cash, recheck the reconciliation and verify all individual transactions handled through the fund as well as any questionable transactions.

7.2 When a cash difference is the equivalent of SR375 or more, or any amount due to theft or infidelity, the department head shall immediately notify the Treasurer, Area Industrial Security Operations Department that will perform a preliminary investigation, and the General Auditor by telephone or e-mail regarding the discovered loss, followed by a written statement giving full details of the cash difference and the action being taken in the matter. The statement shall report steps being taken to prevent recurrence. Refer to Management Guide Section 4, Paragraph VIH.Cash Differences.

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- \* 7.3 When cash differences are the equivalent of SR3,750 or more, the Treasurer, Area Industrial Security Operations Department, and the General Auditor shall jointly coordinate the investigation and report the incident to the Senior Vice President of Finance.
- 7.4 All departments shall submit to the Manager, TSD, Area Industrial Security Operations Department, and the General Auditor copies of reports of investigations conducted on any cash differences of an unusual nature.

### 8.0 BOOKING CASH DIFFERENCES:

Cash overages or shortages shall be booked on the day they occur or upon discovery. The required adjustments to funds will be recorded as follows:

- 8.1 Facilities with authorized Imprest Funds for the purpose of petty cash expenditures will deposit overages at one of Saudi Aramco bank Accounts. The custodian will send a copy of the bank credit advice to the Administrator, BOD along with a letter. Reimbursement for shortages shall be submitted to the TSD, Administrator BOD for review and approval before requesting reimbursement via MPS. The first MPS reviewer shall add the Administrator, BOD as an approver in the MPS workflow.
- 8.2 Overages or shortages shall be charged or credited to the applicable departmental expense account, except in shortages resulting from theft, robbery or defalcation. In these cases, the shortages shall be treated in accordance with Paragraphs 8.3 and 8.4.
- \* 8.3 Shortages due to theft, robbery or defalcation will be charged to Cost Center 440910/911, Cost Element 7406009 Casualty Gain/Losses upon approval of the Administrator, Risk Management Division.
- 8.4 Shortages equivalent to SR500 or more will be accumulated in either a receivable or expense account, "Internal Order (IO).
- \* 8.4.1 Internal Order items for this purpose are controlled by the Risk Management Division (For instructions on obtaining or clearing IO item numbers, see Accounting Instruction 152).
- 8.4 .2 If the loss or portion thereof is not recoverable, related costs will be charged to Cost Center 440911/910, Cost Element 7406009 upon approval of the Administrator, Risk Management Division.

### 9.0 INSPECTIONS AND CASH COUNTS:

Responsibility for all surprise cash counts rests primarily with the Auditing Department. Periodic inspections and cash counts shall be made on the following basis:

- \* 9.1 Internal Auditing shall be responsible for performing surprise cash counts of the imprest funds based on Internal Auditing's risk assessment.

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- 9.2 General Auditors shall be responsible for scheduling surprise cash counts of all funds except those described in Paragraph 8.4. (Funds of SR 50,000 or more shall be counted at least semi annually and funds under SR 50,000 at least annually).
- 9.2.1 Petty Cash Fund Count Sheet will be prepared each time a fund is counted. This sheet shall be retained by Administrative and General Audits Division for a minimum period of one year.
- 9.3 The General Auditor will be directly responsible for scheduling surprise cash counts of all funds.
- 9.3.1 ZF 0096, Daily Cash Balance Position, will be generated by SAP to record cash counts and properly approved on the reverse side by the assigned Auditor.
- 9.4 Cash counts shall be made in the presence of the custodian. The custodian shall assure himself that the funds returned to him after the count is intact and in order.
- 9.5 TSD / Banking Operations Division shall prepare a monthly consolidated statement, AR-102 Petty Cash and Change Funds, listing all funds and showing petty cash number, location, organization code, custodian name, badge number, and amount. This report shall be distributed as per General Instruction 207.001.

Approved:

Manager, Treasury Services Department

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### APPENDIX 1

#### Minimum security requirements for storing petty cash in amount of SR10,000 or greater

##### **1. Funds must be stored in a secure room**

- a) The door to the room must be 1 ¾ in. hollow metal or solid wood. If this is not feasible, the existing door may be reinforced from the outside with 1/16 to 1/8 in. stainless steel sheet metal. The door hinges must be affixed on the inside of door, if not, the exposed hinge pins should be spot welded in place. The door must be installed with a door knob key lock and a ¾ in. dead bolt lock.
- b) If the room has windows they must be secured by a ½ inch fabricated metal caging bolted to the exterior of the building. If the room contains an a/c unit, it must be secured by a ½ in. fabricated wrought iron grill bolted to the exterior of the building. The interior of the room must be illuminated during hours of darkness, emergency lighting installed and a fire extinguisher present.
- c) Key control for the room must be maintained only by the custodian. In the event that the key is lost, the door locks must be replaced with new locks.

##### **2. Storage of funds**

The funds must be stored in a safe with minimum of a two hour fire rating. The safe must be secured by either combination, key lock, or both. The safe must be secured in place and out of sight of the public. The custodian must maintain a daily sign off log (in/out) for the safe. The custodian will adhere to GI 53.006 Custodianship of Company Funds.

##### **3. Security notification**

In the event of a break in or attempt to steal the funds, the custodian must contact his superintendent who will notify the nearest Security Control Center and report the incident.

#### Minimum security requirements for Storing Petty Cash in amount less than SR10,000

##### **1. Funds must be stored in a lockable room**

Key control for the room must be maintained only by the custodian. In the event that the key is lost, the door locks must be replaced with new locks.

##### **2. Storage of funds**

The funds must be stored in a safe with minimum two hour fire rating. The custodian must maintain a daily sign off log (in/out) for the safe. The custodian will adhere to GI 53.006 Custodianship of Company Funds.

##### **3. Security information**

In the event of a break in or attempt to steal the funds, the custodian must contact the nearest Area Industrial Security Control Center on the below provided contacts and report the incident.

Dhahran: 03 874-2055

Abqiq: 03 572-5291

RT. : 03 673-5231

Riyadh: 01 285-3333

Jeddah: 02 427-3333