*Annex*

*to the Resolution № IOFS/GA/1-7-2019*

*on* *approval of the Accounting Regulations of the IOFS*

**EXPLANATORY NOTE**

Financial Policy consists of two following documents:

* Financial Regulations, and
* Accounting Regulations.

Financial Regulations were approved by the General Assembly RESOLUTION NO.GA/5-2016 on 28 April 2016. Currently, the Accounting Regulations require to be approved by the General Assembly as part of the Financial Policy of the IOFS.

Accounting Regulations as an internal document defines a single set of principles, rules, generally accepted conditions and practical approaches to the organization of accounting in the preparation and presentation of financial statements.

The budget of the IOFS is an annual financial plan and is not based on capitalization, it is based instead on the regular receipt of contribution from member states of the Organization of Islamic Cooperation. The assets and liabilities of the IOFS exist separately from the assets and liabilities of the Governments of the Member States of the Organization of Islamic Cooperation, which are members of IOFS. Accounting Regulations are crucial for the auditing purposes and for compliance of financial and accounting matters. Accounting Regulations enable IOFS to protect the assets and property of the Organization from misappropriation, loss, abuse and to exercise effective control and economical use of financial resources.

The IOFS is currently operating and will operate in the nearest future, and therefore, it is very important to approve and adopt Accounting Regulations as soon as possible. Once it is adopted it will be utilized sequentially from year to year.