

**Palestinian Investment Promotion Agency “PIPA”**  
**Ramallah – Palestine**

**Independent Auditor’s Report**  
**and Statement of Receipts and Disbursements**  
**for the year ended December 31, 2017**

**Talal Abu-Ghazaleh & Co.**  
**Certified Public Accountants**



**Palestinian Investment Promotion Agency**  
**Ramallah – Palestine**

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## Independent Auditor's Report

To M/s Board of Directors  
Palestinian Investment Promotion Agency "PIPA"  
Ramallah – Palestine

### Report on the Audit of the Financial Statement

#### Opinion

We have audited the accompanying statement of Receipts and Disbursements of **Palestinian Investment Promotion Agency "PIPA"** – Pages 4 to 10, for the year ended December 31, 2017, and notes to the financial statement of Receipts and Disbursements including a summary of significant accounting policies.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts and disbursements for the year ended December 31, 2017 in accordance with Cash Basis of accounting described in Note No.(2).

#### Emphasis paragraph

PIPA's policy is to prepare the accompanying statement using the described basis in Note (2) for revenues and disbursements. Based on this basis, revenues were recognized when received, not when earned; and disbursements were recognized when paid, not when incurred, this basis not suitable for another purpose.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report.

We are independent of the Agency in accordance with the Code of Ethics for Professional Accountants registered under Board of Auditing Profession, which are in conformity with the code of ethics of accountants registered under Palestinian Association of Certified Public Accountants, in line with the ethical requirements related to our audit of the financial statements in Palestine, and we have fulfilled our other ethical responsibilities in accordance with those requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies described in note No.(2) and other relevant laws and regulations, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or have no realistic alternative but to do so.

Management is responsible for overseeing the agency's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate, with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements.**

The agency keeps properly organized accounting records, which matches, in all material respects, the accompanying financial statement.

The engagement partner on the audit resulting in this independent auditor's report is the Executive Director, Jamal Milhem.

**Talal Abu-Ghazaleh & Co.**

**License # (251/1997)**



*Jamal J. Milhem*  
**Jamal Milhem, CPA**

**Certified Accountant License # (100/98)**

**Ramallah – Palestine**

May 24, 2018



**Palestinian Investment Promotion Agency**  
**Ramallah-Palestine**  
**Statement of Receipts and Disbursements**  
**for the year ended December 31,2017**

<b><u>Item</u></b>	<b><u>Note</u></b>	<b><u>2017</u></b> <b>NIS</b>	<b><u>2016</u></b> <b>NIS</b>
<b><u>Receipts</u></b>			
Receipts from Ministry of Finance and Planning	(4)	3,135,970	3,571,866
<b>Total</b>		<b>3,135,970</b>	<b>3,571,866</b>
<b><u>Disbursements</u></b>			
Salaries and employees benefits	(4)	(2,715,894)	2,698,313
Operating expenditures	(4)	(420,076)	873,553
<b>Total salaries and benefits and operating expenditures</b>		<b>(3,135,970)</b>	<b>3,571,866</b>
Expenditures financed by donors	(5)	--	91,964
<b>Total Disbursements</b>	<b>(3)</b>	<b>(3,135,970)</b>	<b>(3,663,830)</b>
Excess (Shortage) of Receipts (Under) Disbursements		--	(91,964)
Cash at banks at the beginning of the year	(6)	33,599	159,916
Currency exchange rates variance		632	(34,353)
<b>Cash at banks at the end of the year</b>	<b>(6)</b>	<b>34,231</b>	<b>33,599</b>

*“The accompanying notes constitute an integral part of this statement”*

**Palestinian Investment Promotion Agency**  
**Ramallah-Palestine**  
**Notes to the Financial Statements**

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1. **Background:**

Palestinian Investment Promotion Agency (PIPA) was established in 1998 as an independent agency, pursuant to the promulgation of the Investment Promotion Law “Law Number (1) for the year 1998”, and Investment Promotion regulation Number (4) of the year 2015.

The Authority works to build a better future for all Palestinians, provide advanced services to local and foreign investors and facilitate the communication between the private sector and the government through the unified investment window for investors services, granting attractive incentives for investment and attracting new investments through the latest means of promotion, In Palestine, the Authority works to enable domestic investment and attract foreign investment; to achieve development priorities in Palestine,

The Authority is currently working in three main areas in accordance with the Palestinian Investment Promotion Law No. 1 of 1998 and its amendments:

- Providing guarantees to investors.
- Granting incentives to investors.
- Providing an appropriate environment for encouraging investment

**Goals of Investment Promotion Law:**

- Establishing the agency, an institution responsible for encouraging and promoting investment in Palestine;
- Providing guarantees to all Investors and Investments operating in Palestine;
- Granting the Incentives to Investors;
- Providing the appropriate environment for encouraging investment in Palestine.

The Board of Directors of the Authority is headed by a Board of Directors consisting of eleven members, headed by the Minister of National Economy with the membership of the Ministry of Finance and Planning, the Ministry of Economy, the Ministry of Tourism and Antiquities, the Ministry of Communications and Information Technology, the Ministry of Local Government, the Energy and Natural Resources Authority and four representatives from the private sector.

The Palestinian Investment Promotion Authority (PIPA) has 53 employees in 2017 (56 employees in 2016).

The statement of Receipts and Disbursements of PIPA was authorized for issuance by management on August 27, 2018.

**2. Significant accounting policies:**

The financial statements have been prepared under the historical cost convention, and in accordance to the Cash Basis of accounting.

- **Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of restricted bank deposits.

- **Disbursements**

Expenditures are recorded when paid as follows:

- Expenses paid directly by the Ministry of Finance and Planning, such as salaries, wages, travel allowances and electricity expenses, which are recorded on PIPA cost center.
- Expenses paid directly by PIPA from the zero bank account, which was covered through the granting of credit ceilings from the Ministry of Finance and Planning in accordance with the approved budget for each year and approved by the Controller and paid through the Authority after the introduction to the accounting system at the cost center of PIPA.
- Expenditures from bank accounts restricted to donors and earmarked for the implementation of predefined projects and paid by PIPA.

- **Revenues**

The revenues of the PIPA are as follows:

- Paid on behalf of PIPA from the Ministry of Finance and Planning to cover the approved expenditures in the budget approved by the Council of Ministers.
- Credit limits granted to PIPA and used to cover expenses approved by PIPA.
- Donor funds received and deposited in project special bank accounts with PIPA.

- **Cash and in-kind contributions:**

- Registration grants as revenues in the year of collection and recording their expenses at the time of payment
- Donations and donations in kind are not recorded in the accounting records and are disclosed and fixed assets are recorded in statistical records to facilitate the annual physical count.
- Projects executed directly by donors and in cooperation with PIPA are not recorded.

- **Preparation of income and expenditure statement:**

The income and expenditure statement is prepared from PIPA cost centers, which show expenditures through the Ministry of Finance and expenditure from the Investment Promotion Authority, as well as revenues at both cost centers.

- **Foreign currencies translation:**

The basic functional currency is the New Israeli Shekel (NIS). Transactions denominated in currencies other than NIS, occurring during the year, are translated to NIS using the exchange rate at the end of the year. The foreign currency exchange rates against the new shekel at the date of the financial statements are as follows:

	<u>2017</u>	<u>2016</u>
	NIS	NIS
Euro	4.08	4.17



### 3. Expenditures:

This item consists of:

<u>Item</u>	<u>2017</u> NIS	<u>2016</u> NIS
<b><u>Salaries and benefits</u></b>		
Salaries and wages	2,452,049	2,422,575
Transportation allowance	223,851	235,737
<b>Total Salaries and benefits</b>	<b>2,675,900</b>	<b>2,658,312</b>
<b><u>Travel and missions expenditures</u></b>		
International travel and missions	42,955	57,730
Local travel and missions	2,722	370
<b>Total travel and missions expenditures</b>	<b>45,677</b>	<b>58,100</b>
<b><u>Operating expenditures</u></b>		
Water and electricity- (General)	89,930	31,515
Telephone, Fax, and Postal	23,113	28,781
Fuel- (General)	1,726	960
Subscriptions in newspapers and magazines	1,015	552
Stationary, publications, and office supplies	33,788	34,818
Materials and consumable supplies- (General)	6,653	6,242
Repair and maintenance- (General)	21,988	11,894
Translation, editing, end printing services	927	406
Rental of vehicles	--	500
Vehicles- (General)	46,928	2,895
<b>Total operating expenditures</b>	<b>226,068</b>	<b>118,563</b>
Rents	--	740,409
<b>Total rents</b>	<b>--</b>	<b>740,409</b>
<b><u>Other operating expenditures</u></b>		
Advertising and cards	--	2,729
Hospitality (Ministry Buffet)	14,315	4,944
Delegations hospitality	5,033	4,752
Internet subscriptions	1,088	2,012
Audit expenses, fees, and taxes	12,817	15,324
Accommodations and delegations hospitality	--	18,685
Rewards for Non-Employees (Board Members)	44,886	--
Subscriptions, conferences and exhibitions	30,124	--
Wages of workers and guards	250	--
<b>Total other operating expenditures</b>	<b>108,513</b>	<b>48,446</b>
Employees bounces	39,994	40,000

<u>Item</u>	<u>2017</u> <u>NIS</u>	<u>2016</u> <u>NIS</u>
<b>Total employees bounces</b>	<b>39,994</b>	<b>40,000</b>
Capital expenditure (computer and furniture)	39,818	--
<b>Total capital expenditure (computer and related expenses)</b>	<b>39,818</b>	<b>--</b>
<b>Total expenditures</b>	<b>3,135,970</b>	<b>3,663,830</b>

#### 4. Comparison between Consolidated Budgeted and Actual Expenditures

This item consists of:

<u>2017</u>					
<u>Item</u>	<u>Consolidated</u> <u>Budget</u> <u>NIS</u>	<u>Financing</u> <u>of Arrears</u> <u>NIS</u>	<u>Total</u> <u>Budget</u> <u>NIS</u>	<u>Expenditures</u> <u>NIS</u>	<u>Balance</u> <u>NIS</u>
Salaries and wages	2,519,000	--	2,519,000	(2,452,049)	66,951
Travel and missions	150,660	9,063	159,723	(45,677)	114,046
Repair and maintenance- (Operating)	299,974	124,876	424,850	(226,068)	198,782
Rentals	499,997	--	499,997	--	499,997
Other (Operating)	149,694	84,128	233,822	(108,513)	125,309
Transportation	245,675	--	245,675	(223,851)	21,824
Employees bounces	40,000	--	40,000	(39,994)	6
Fixed assets	55,000	--	55,000	--	55,000
Inventory	45,000	41,261	86,261	(39,818)	46,443
<b>Total</b>	<b>4,005,000</b>	<b>259,328</b>	<b>4,264,328</b>	<b>(3,135,970)</b>	<b>1,128,358</b>
<u>2016</u>					
<u>Item</u>	<u>Consolidated</u> <u>Budget</u> <u>NIS</u>	<u>Financing</u> <u>of Arrears</u> <u>NIS</u>	<u>Total</u> <u>Budget</u> <u>NIS</u>	<u>Expenditures</u> <u>NIS</u>	<u>Balance</u> <u>NIS</u>
Salaries and wages	2,645,000	--	2,645,000	2,422,575	222,425
Travel and missions	160,000	--	160,000	25,548	134,452
Repair and maintenance- (Operating)	330,000	39,019	369,019	98,889	270,130
Rentals	500,000	376,329	876,329	740,409	135,920
Other (Operating)	175,000	--	175,000	8,708	166,292
Transportation	276,000	--	276,000	235,737	40,263
Employees bounces	40,000	--	40,000	40,000	--
Fixed assets	55,000	--	55,000	--	55,000
Inventory	45,000	--	45,000	--	45,000
<b>Total</b>	<b>4,226,000</b>	<b>415,348</b>	<b>4,641,348</b>	<b>3,571,866</b>	<b>1,069,482</b>

**5. Expenditures of projects financed by EU:**

This item consists of:

	<u>2017</u> NIS	<u>2016</u> NIS
Travel and missions	--	32,552
Repair and maintenance- (Operating)	--	19,674
Other (Operating)	--	39,738
<b>Total</b>	<u>          </u> <u>          </u> --	<u>          </u> <u>          </u> <b>91,964</b>

**6. Cash at Banks:**

This item consists of:

	<u>2017</u> NIS	<u>2016</u> NIS
Competencies Project - EURO	34,231	33,599
<b>Total</b>	<u>          </u> <u>          </u> <b>34,231</b>	<u>          </u> <u>          </u> <b>33,599</b>

During 2018, an amount of € 17,768 was added to this account from donor for PIPA with the remaining amount of the project. PIPA then transferred the amount to the account of the Ministry of Finance and Planning.

**7. Related Parties:**

PIPA considers board of directors' members and key staff related parties.

Transactions with related parties were as the following:

	<u>2017</u> NIS	<u>2016</u> NIS
Members of board of directors rewards	44,886	--
Higher management salaries	97,086	88,623
Telephone, postal, and fax (Jawwal) – Higher management	--	3,992
Travel missions	31,148	14,535

**8. Fixed Assets:**

a. This item consists of:

	<u>Computers</u> NIS	<u>Furniture</u> NIS	<u>Vehicles</u> NIS	<u>Equipment and tools</u> NIS	<u>Total</u> NIS
<b>Cost:</b>					
Balance as of 1/1/2017	134,841	116,020	72,000	45,144	368,005
Additions	32,768	7,050	--	--	39,818
<b>Balance as of 31/12/2017</b>	<u>          </u> <u>          </u> <b>167,609</b>	<u>          </u> <u>          </u> <b>123,070</b>	<u>          </u> <u>          </u> <b>72,000</b>	<u>          </u> <u>          </u> <b>45,144</b>	<u>          </u> <u>          </u> <b>407,823</b>

- b. The following are distributed according to year of acquisition:

<u>year of acquisition</u>	<u>Cost</u> <u>NIS</u>
Prior to 2014	331,195
2014	35,123
2015	1,397
2016	290
2017	39,818
Total	<u>407,823</u> =====

- c. Fixed assets were recorded at cost at the date of procurement or at fair value at the granting date in case of receiving them as a donation.
- d. Fixed assets were not recognized on accounting records and they are recognized as capital expenditures during the year they were obtained.

**9. Activities financed by donors:**

Activities related to Palestinian Markets Development Program were performed with a total cost estimated at NIS 81,940 during the year 2017, but they were not recorded at PIPA's accounting records because of unavailability of required documents.