

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

**Independent Auditor’s Report**  
**and Statement of Receipts and Disbursements**  
**for the period from January 1, 2016**  
**to December 31, 2016**

**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

#### Qualified Opinion

We have audited the accompanying statement of Receipts and Disbursements of **Palestinian Investment Promotion Agency "PIPA"** – Pages 4 to 9, for the year ended December 31, 2016, and notes to the financial statement of Receipts and Disbursements including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the "Basis for Qualified Opinion" below, the accompanying financial statement presents fairly, in all material respects, the cash receipts and disbursements for the period from January 1, 2016, to December 31, 2016 in accordance with Cash Basis of accounting described in Note No.(2).

#### Basis for Qualified Opinion

- PIPA's policy is to prepare the accompanying statement using cash basis of accounting. Based on cash basis of accounting, revenues were recognized when received, not when earned; and expenses were recognized when paid, not when incurred.
- Outstanding items in bank reconciliations were not processed and currency exchange rate transaction was not prepared because Ministry of Finance and Planning has not closed the accounts since the year 2011.

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 inconformity 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 qualified 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 Milhem, CPA**

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

**Ramallah – Palestine**

April 12, 2017

*Jamal J. Milhem*



**Palestinian Investment Promotion Agency**  
**Ramallah-Palestine**  
**Statement of Receipts and Disbursements**  
**for the period from January 1, 2016 to December 31, 2016 – Exhibit “A”**

<b><u>Item</u></b>	<b><u>Note</u></b>	<b><u>For the period from January 1, 2016 to December 31, 2016</u></b> NIS
<b><u>Receipts</u></b>		
Receipts from Ministry of Finance and Planning	(4)	3,571,866
<b>Total</b>		<b>3,571,866</b>
<b><u>Disbursements</u></b>		
Salaries and employees benefits	(4)	2,698,313
Operating expenditures	(4)	873,553
<b>Total salaries and benefits and operating expenditures</b>		<b>3,571,866</b>
Expenditures financed by donors	(5)	91,964
<b>Total Disbursements</b>	<b>(3)</b>	<b>(3,663,830)</b>
Excess (Shortage) of Receipts (Under) Disbursements		(91,964)
Cash at banks at the beginning of the year		159,916
Currency exchange rates variance		(34,353)
<b>Cash at banks at the end of the year</b>	<b>(6)</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.

**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 statement of Receipts and Disbursements of PIPA for the period from January 1, 2016 to December 31, 2016 was authorized for issuance by management on July 24, 2017.

**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.

- **Expenditures**

Expenses are recognized when paid in accordance with the cash basis of accounting.

- **Revenues**

PIPA’s revenues consist of the budget allocated by Ministry of Palestinian Finance and Planning based on the decisions of Cabinet of Ministers. There are also revenues from donors and they are recorded in accordance to the cash basis of accounting.

- **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 period. (1 EURO = 4.17 NIS)

### 3. Expenditures:

This item consists of:

	<u>For the period from</u> <u>January 1, 2016 to</u> <u>December 31, 2016</u>
<u>Item</u>	NIS
<b><u>Salaries and benefits</u></b>	
Salaries and wages	2,422,575
Transportation allowance	235,737
<b>Total Salaries and benefits</b>	<b>2,658,312</b>
<b><u>Travel and missions expenditures</u></b>	
International travel and missions	57,730
Local travel and missions	370
<b>Total travel and missions expenditures</b>	<b>58,100</b>
<b><u>Operating expenditures</u></b>	
Water and electricity- (General)	31,515
Telephone, Fax, and Postal	28,781
Fuel- (General)	960
Subscriptions in newspapers and magazines	552
Stationary, publications, and office supplies	34,818
Materials and consumable supplies- (General)	6,242
Repair and maintenance- (General)	11,894
Translation, editing, and printing services	406
Rental of vehicles	500
Vehicles- (General)	2,895
<b>Total operating expenditures</b>	<b>118,563</b>
Rents	740,409
<b>Total rents</b>	<b>740,409</b>
<b><u>Other operating expenditures</u></b>	
Advertising and cards	2,729
Hospitality (Ministry Buffet)	4,944
Delegations hospitality	4,752
Internet subscriptions	2,012
Audit expenses, fees, and taxes	15,324
Accommodations and delegations hospitality	18,685
<b>Total other operating expenditures</b>	<b>48,446</b>
Employees bounces	40,000
<b>Total employees bounces</b>	<b>40,000</b>
<b>Total expenditures</b>	<b>3,663,830</b>



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

This item consists of:

For the period from January 1, 2016 to December 31, 2016

<u>Item</u>	<u>Consolidated Budget NIS</u>	<u>Financing of Arrears NIS</u>	<u>Total Budget NIS</u>	<u>Expenditures NIS</u>	<u>Balance 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:

For the period  
from January 1,  
2016 to December  
31, 2016  
NIS

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

#### 6. Cash at Banks:

This item consists of:

December 31, 2016  
NIS

Bank of Palestine – Economic Competencies Project - EURO	(16) 33,615
<b>Total</b>	<b>33,599</b>



**9. Activities financed by donors:**

Activities related to Palestinian Markets Development Program were performed by analyzing questionnaires and providing local and international experts and providing publications and promotional items with a total cost estimated at NIS 100,000 during the year 2016, but they were not recorded at PIPA's accounting records because of unavailability of required documents, taking into consideration that the donor's policy is not to disclose paid expenditures.

**10. General:**

This is the first financial statements issued for PIPA. These financial statements covers the period from January 1, 2016 to December 31, 2016 and they have not issued financial statements covering the period s from establishment in the year 1998 to December 31, 2015. It is worth to mention that Investment Promotion Law authorized board of directors to assign the independent external auditor and to have an accounting controller from Ministry of Finance and Planning at PIPA according to Palestinian Financial Regulation.