

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

**Independent Auditor’s Report**  
**and Statement of Receipts and Disbursements**  
**for the year ended December 31, 2019**

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



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

---

**Contents**

	<b><u>Page</u></b>
– Independent Auditor’s Report	1-3
– Statement of Revenues and Disbursements for the year ended December 31, 2019	4
– Notes to the Statement of Revenues and Expenditures	5-10



## 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 Revenues and Expenditures of **Palestinian Investment Promotion Agency "PIPA"** – Pages 4 to 10, for the year ended December 31, 2019, and notes to the financial statement of Revenues and Expenditure including a summary of significant accounting policies.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the revenues and expenditure for the year ended December 31, 2019 in accordance with Cash Basis of accounting described in Note No.(2).

#### **Basis for Our Opinion:**

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 opinion.

#### **Emphasis of Matter:**

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

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

Management is responsible for the preparation and fair presentation of the financial statement 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 statement of revenues and expenditures 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 statement.

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)**  
September 27, 2020



**Palestinian Investment Promotion Agency**  
**Ramallah-Palestine**  
**Statement of Revenues and Expenditures**  
**for the year ended December 31,2019- Exhibit "A"**

<b><u>Item</u></b>	<b><u>Note</u></b>	<b><u>2019</u></b> NIS	<b><u>2018</u></b> NIS
<b><u>Revenues</u></b>			
Ministry of Finance and Planning fund	(3)	3,265,563	3,206,895
European Union Fund	(4)	--	812,158
Donor Funds		--	72,767
Transfers to the public treasury from donors fund	(5)	--	(110,387)
Revenues the agency from investing activities	(6)	40,897	8,663
Transfers to the public treasury from agency's revenues	(6)	(40,897)	(8,663)
<b>Total</b>		<b>3,265,563</b>	<b>3,981,433</b>
<b><u>Expenditures</u></b>			
Salaries and employees benefits	(7)	(2,346,954)	(2,224,858)
Operating expenditures	(7)	(918,609)	(982,037)
<b>Total salaries and benefits and operating expenditures</b>		<b>(3,265,563)</b>	<b>(3,206,895)</b>
Expenditures financed by donors	(4)	--	(812,158)
<b>Total Expenditures</b>	<b>(7)</b>	<b>(3,265,563)</b>	<b>(4,019,053)</b>
Excess (Deficit) of Revenues over (Under) Expenditures		--	(37,620)
Cash at banks at the beginning of the year		--	34,231
Currency exchange rates variance		--	3,389
<b>Cash at banks at the end of the year</b>		<b>--</b>	<b>--</b>

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

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

---

1. **Background:**

Palestinian Investment Promotion Agency (PIPA) was established in 1998, pursuant to the promulgation of the Encouragement of investment Law “Number (1) for the year 1998” and its amendments, and Encouragement of Investment by law of the year 2015.

The Agency 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 Agency works to enable domestic investment and attract foreign investment; to achieve development priorities in Palestine,

The Agency is currently working in three main areas in accordance with the law of Encouragement of Investment Law No. 1 of 1998 and its amendments, which is:

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

**Goals of Investment Promotion Law:**

- Establishing the agency, an institution responsible for encouraging and promoting investment in Palestine;
- Providing guarantees to 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 Agency (PIPA) has 44 employees in 2019 (45 employees in 2018).

The statement of Revenues and Expenditures was authorized for issuance by management on November 17, 2020.

**2. Significant of 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, current accounts, and deposits in demand with banks.

- **Expenditures**

Expenditures are recorded when paid as follows:

- Expenditures paid directly by the Ministry of Finance and Planning, such as salaries, wages, travel allowances and electricity expenses, which are recorded on the Agency cost center.
- Expenditures paid directly by the Agency 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 financial Controller and paid through the Agency after the introduction to the accounting system at the cost center of the Agency.
- Expenditures from bank accounts restricted to donors and earmarked for the implementation of predefined projects and paid by the Agency.

- **Revenues**

The revenues of the Agency are as follows:

- Paid on behalf of the Agency 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 the Agency and used to cover expenses approved by the Agency.
- Donor funds received and deposited in project special bank accounts with the Agency.

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

- Registration grants and cash gifts as revenues in the year of collection and recording their expenditures at the time of payment.
- Donations and donations in kind are 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 the Agency are not recorded.

- **Preparation of Revenues and Expenditures:**

Statement of Revenues and Expenditures is prepared from the Agency cost centers, which show expenditures through the Ministry of Finance and expenditure from the Investment Promotion Agency, 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 cash balances in foreign currencies is begin transferred in the date of financial reports.



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

a. This item consists of:

Item	2019				
	<u>Consolidated Budget</u> NIS	<u>Financing of Arrears</u> NIS	<u>Total Budget</u> NIS	<u>Expenditures</u> NIS	<u>Balance</u> NIS
<b><u>Operational budget</u></b>					
Salaries and wages	2,385,000	--	2,385,000	(2,112,220)	272,780
Travel and missions	160,000	--	160,000	(53,760)	106,240
Repair and maintenance- (Specified operation Expenditure)	343,914	34,988	378,902	(128,583)	250,319
Rentals	500,006	346,273	846,279	(100,467)	745,812
Other (Operating)	176,080	7,875	183,955	(90,254)	93,701
Transportation	196,000	--	196,000	(202,743)	(6,743)
Employees bounces	40,000	--	40,000	(31,991)	8,009
Fixed assets	30,500	--	30,500	--	30,500
Inventory	69,500	3,219	72,719	(52,010)	20,709
<b>Total</b>	<b>3,901,000</b>	<b>392,355</b>	<b>4,293,355</b>	<b>(2,772,028)</b>	<b>1,521,327</b>
<b><u>Development Budget (Commercial Staff Program)</u></b>					
Other operational	940,800	--	940,800	(493,535)	447,265
<b>Total</b>	<b>940,800</b>	<b>--</b>	<b>940,800</b>	<b>(493,535)</b>	<b>447,265</b>
<b>Grand Total</b>	<b>4,841,800</b>	<b>392,355</b>	<b>5,234,155</b>	<b>(3,265,563)</b>	<b>1,968,592</b>

b. 31 December 2018

Item	2018				
	<u>Consolidated Budget</u> NIS	<u>Financing of Arrears</u> NIS	<u>Total Budget</u> NIS	<u>Expenditures</u> NIS	<u>Balance</u> NIS
<b><u>Operational budget</u></b>					
Salaries and wages	2,451,239	--	2,451,239	(1,996,796)	454,443
Travel and missions	150,000	392	150,392	(79,151)	71,241
Repair and maintenance- (Specified operation Expenditure)	279,435	61,368	340,803	(149,137)	191,666
Rentals	500,000	361,932	861,932	(361,932)	500,000
Other (Operating)	251,004	68,656	319,660	(52,680)	266,980
Transportation	217,446	--	217,446	(191,374)	26,072
Employees bounces	40,000	--	40,000	(36,688)	3,312
Fixed assets	10,000	--	10,000	--	10,000
Inventory	115,345	35,482	150,827	(64,481)	86,346
<b>Total</b>	<b>4,014,469</b>	<b>527,830</b>	<b>4,542,299</b>	<b>(2,932,239)</b>	<b>1,610,060</b>
<b><u>Development Budget (Commercial Staff Program)</u></b>					
Maintenance and repairs (specific operating expenses)	700	-	700	(700)	-
Other operational	273,957	-	273,957	(273,957)	-
<b>Total</b>	<b>274,657</b>	<b>-</b>	<b>274,657</b>	<b>(274,657)</b>	<b>-</b>
<b>Grand Total</b>	<b>4,289,126</b>	<b>527,830</b>	<b>4,816,956</b>	<b>3,206,896</b>	<b>1,610,060</b>
<b><u>EU Financing (Palestinian Markets Development Program)</u></b>					
Other operational	786,158	--	786,158	(786,158)	-
Fixed assets	1,200	--	1,200	(1,200)	-
Inventory	24,800	--	24,800	(24,800)	-
<b>Total</b>	<b>812,158</b>	<b>-</b>	<b>812,158</b>	<b>(812,158)</b>	<b>-</b>
<b>Grand Total</b>	<b>5,101,284</b>	<b>527,830</b>	<b>5,629,114</b>	<b>(4,019,054)</b>	<b>1,610,060</b>

**4. Expenditures of projects financed by European Union & UK (DFID)/  
Palestinian Market Development Program:**

This item consists of:

	<u>2019</u> NIS	<u>2018</u> NIS
Other operational	--	786,158
Fixed assets	--	1,200
Inventory	--	24,800
<b>Total</b>	<u>          </u> <u>          </u> <u>          </u>	<u>          </u> <u>          </u> <u>          </u> <b>812,158</b>

**5. Transfers to the MoF from donors fund:**

During the year 2018, an amount of NIS 110,387 were transferred to the public treasury represent the cash balance at the end of the year which is amounted at NIS 37,620 and an amount of EUR 17,768 (equal to NIS 72,767) from the donor (Mobilising Economic Diasporas for Mediterranean development) in favor of the agency.

**6. Revenues of the Agency from Investing activities:**

An amount of NIS 40,897 was collected from investors as a result of the investment transaction during the year (NIS 8,663 for the year 2018).

**7. Expenditures:**

This item consists of:

<u>Item</u>	<u>2019</u> NIS	<u>2018</u> NIS
<b><u>Salaries and benefits</u></b>		
Salaries and wages	2,112,220	1,996,796
Transportation allowance	202,743	191,374
Employees rewards.	31,991	36,688
<b>Total Salaries and benefits</b>	<u>2,346,954</u>	<u>2,224,858</u>
<b><u>Operating expenditures</u></b>		
<b><u>Travel and missions Expenditures</u></b>		
International travel and missions	53,260	78,774
Local travel and missions	500	377
<b>Total travel and missions expenditures</b>	<u>53,760</u>	<u>79,151</u>
<b><u>Specified operating expenditures</u></b>		
Water and electricity- (General)	64,626	48,837
Telephone, Fax, and Postal	5,408	20,813
Fuel- (General)	600	748
Subscriptions in newspapers and magazines	1,042	2,140
Stationary, publications, and office supplies	19,791	37,181
Materials and consumable supplies- (General)	8,267	10,838
Repair and maintenance- (General)	13,576	14,325

<u>Item</u>	<u>2019</u> <u>NIS</u>	<u>2018</u> <u>NIS</u>
Translation, editing and printing services	2,308	1,624
Rental of vehicles	--	700
Vehicles- (General)	2,751	12,631
Fuel – vehicles	10,214	--
<b>Total specified operating expenditures</b>	<b>128,583</b>	<b>149,837</b>
Rentals	100,467	361,932
<b>Total rentals</b>	<b>100,467</b>	<b>361,932</b>
<b><u>Other operating expenditures</u></b>		
Hospitality (Ministry Buffet)	8,943	6,170
Delegations hospitality and petty cash	3,557	5,048
Agencies and internet subscriptions	--	4,111
Subscriptions, conferences, exhibitions and festivals	18,226	19,080
Studies, planning and consulting	493,535	1,060,115
Rewards for Non-Employees (Board Members)	59,528	18,270
<b>Total other operating expenditures</b>	<b>583,789</b>	<b>1,112,794</b>
<b><u>capital expenditures</u></b>		
Office equipment	3,944	4,414
Office Furniture	--	6,800
Furniture (General)	24,010	20,890
Computer and its accessories	24,056	57,177
Equipment (General)		1,200
<b>Total capital expenditures</b>	<b>52,010</b>	<b>90,481</b>
<b>Total operating expenditures</b>	<b>918,609</b>	<b>1,794,195</b>
<b>Total expenditures</b>	<b>3,265,563</b>	<b>4,019,053</b>

#### 8. Related Parties:

The Agency considers board of directors' members and key staff related parties. Transactions with related parties were as the following:

	<u>2019</u> <u>NIS</u>	<u>2018</u> <u>NIS</u>
Members of board of directors rewards	59,528	18,270
Higher management salaries	--	109,460
Travel missions (Local and international)	40,030	44,892

**9. Accumulated Capital Expenditures:**

a. This item consists of:

	<u>Computers and related</u> NIS	<u>Furniture and fixture</u> NIS	<u>Vehicles</u> NIS	<u>Equipment and tools</u> NIS	<u>Total</u> NIS
<b>Cost:</b>					
Balance as of 1/1/2019	224,786	150,760	72,000	50,758	498,304
Additions	24,056	24,010	--	3,944	52,010
<b>Balance as of 31/12/2019</b>	<b><u>248,842</u></b>	<b><u>174,770</u></b>	<b><u>72,000</u></b>	<b><u>54,702</u></b>	<b><u>550,314</u></b>

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

<u>year of acquisition</u>	<u>Cost</u> NIS
Prior to 2014	331,195
2014	35,123
2015	1,397
2016	290
2017	39,818
2018	90,481
2019	52,010
<b>Total</b>	<b><u>550,314</u></b>

c. Properties and equipments were recorded at cost at the date of procurement or at fair value at the granting date in case of receiving these assets as a donation.

d. Capital expenditures were not recognized in the accounting records as fixed assets and they are recognized as capital expenditures during the year of acquisition.

**10. Cases and lawsuits:**

There is no cases filed against the agency or from the agency during 2019 according to the attorney letter dated September 27, 2020.