

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

**Independent Auditor’s Report**  
**and Statement of Revenue and Disbursements**  
**for the year ended December 31, 2020**

**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 Revenues and Expenditures of **Palestinian Investment Promotion Agency "PIPA"** – Pages 4 to 9, for the year ended December 31, 2020, 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 disbursements for the year ended December 31, 2020 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.

### **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)**

April 25, 2021



**Palestinian Investment Promotion Agency**  
**Ramallah-Palestine**  
**Statement of Revenues and Disbursements**  
**for the year ended December 31, 2020- Exhibit "A"**

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<b><u>Item</u></b>	<b><u>Note</u></b>	<b><u>2020</u></b> <b>NIS</b>	<b><u>2019</u></b> <b>NIS</b>
<b><u>Revenues</u></b>			
Ministry of Finance and Planning fund	(3)	2,470,468	3,265,563
Revenues the agency from investing activities	(4)	17,250	40,897
Transfers to the public treasury from agency's revenues	(4)	(17,250)	(40,897)
<b>Total</b>		<b>2,470,468</b>	<b>3,265,563</b>
<b><u>Disbursements</u></b>			
Salaries and employees benefits	(5)	(2,038,581)	(2,346,954)
Operating expenditures	(5)	(431,887)	(918,609)
<b>Total Disbursements</b>	(5)	<b>(2,470,468)</b>	<b>(3,265,563)</b>
Excess (Deficit) of Revenues over (Under) Expenditures		--	--
Cash at banks at the beginning of the year		--	--
Currency exchange rates variance		--	--
<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**

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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 law Number (4) 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 42 employees in 2020 (44 employees in 2019).

The statement of Revenues and Expenditures was authorized for issuance by management on May 31, 2021.

**2. Significant of accounting policies:**

The financial statements have been prepared under the historical cost principle, 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 demand deposits 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 statement of Revenues and Disbursements:**

Statement of Revenues and Disbursements 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	2020				
	<u>Consolidated Budget NIS</u>	<u>Financing of Arrears NIS</u>	<u>Total Budget NIS</u>	<u>Expenditures NIS</u>	<u>Balance NIS</u>
<b><u>Operational budget</u></b>					
Salaries and wages	1,975,166		1,975,166	(1,840,157)	135,009
Travel and missions	50,000		50,000	(6,166)	43,834
Repair and maintenance- (Specified operation Expenditure)	284,005	19,100	303,105	(94,334)	208,771
Rentals	500,000	235,508	735,508	(217,832)	517,676
Other (Operating)	165,221	48,147	213,368	(103,178)	110,190
Transportation	194,115	--	194,115	(178,424)	15,0691
Employees bounces	20,000	--	20,000	(20,000)	--
Fixed assets	15,000	--	15,000	--	15,000
Inventory	35,000	14,203	49,203	(10,377)	38,826
<b>Total</b>	<b><u>3,238,507</u></b>	<b><u>316,958</u></b>	<b><u>3,555,465</u></b>	<b><u>(2,470,468)</u></b>	<b><u>1,219,997</u></b>

### 4. Revenues of the Agency from Investing activities:

An amount of NIS 17,250 was collected from investors as a result of the investment transaction during the year (NIS 40,897 for the year 2019).

### 5. Disbursements:

This item consists of:

<u>Item</u>	<u>2020 NIS</u>	<u>2019 NIS</u>
<b><u>Salaries and benefits</u></b>		
Salaries and wages	1,840,157	2,112,220
Transportation allowance	178,424	202,743
Employees rewards.	20,000	31,991
<b>Total Salaries and benefits</b>	<b><u>2,038,581</u></b>	<b><u>2,346,954</u></b>
<b><u>Operating Disbursements</u></b>		
<b><u>Travel and missions Expenditures</u></b>		
International travel and missions	6,166	53,260
Local travel and missions	--	500
<b>Total travel and missions expenditures</b>	<b><u>6,166</u></b>	<b><u>53,760</u></b>
<b><u>Specified operating expenditures</u></b>		
Water and electricity- (General)	44,455	64,626
Telephone, Fax, and Postal	15,783	5,408
Fuel- (General)	287	600
Subscriptions in newspapers and magazines	995	1,042
Stationary, publications, and office supplies	10,624	19,791
Materials and consumable supplies- (General)	3,710	8,267
Repair and maintenance- (General)	6,664	13,576
Translation, editing and printing services	--	2,308

<u>Item</u>	<u>2020</u> <u>NIS</u>	<u>2019</u> <u>NIS</u>
Vehicles- (General)	3,596	2,751
Fuel – vehicles	8,221	10,214
<b>Total specified operating expenditures</b>	<b>94,335</b>	<b>128,583</b>
Rentals	217,832	100,467
<b>Total rentals</b>	<b>217,832</b>	<b>100,467</b>
<b><u>Other operating expenditures</u></b>		
Hospitality (Ministry Buffet)	5,011	8,943
Delegations hospitality and petty cash	1,129	3,557
Subscriptions, conferences, exhibitions and fistivals	16,992	18,226
Studies, planning and consulting	--	493,535
Rewards for Non-Employees (Board Members)	66,245	59,528
Audit fees, commissions, and taxes	13,800	--
<b>Total other operating expenditures</b>	<b>103,177</b>	<b>583,789</b>
<b>capital expenditures</b>		
Office equipment	5,567	3,944
Furniture (General)	--	24,010
Computer and its accessories	4,810	24,056
<b>Total capital expenditures</b>	<b>10,377</b>	<b>52,010</b>
<b>Total operating expenditures</b>	<b>431,887</b>	<b>918,609</b>
<b>Total expenditures</b>	<b>2,470,468</b>	<b>3,265,563</b>

**6. Related Parties:**

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

	<u>2020</u> <u>NIS</u>	<u>2019</u> <u>NIS</u>
Members of board of directors rewards	66,245	59,528
Higher management salaries	--	--
Travel missions (Local and international)	--	40,030

**7. Accumulated Capital Expenditures:**

a. This item consists of:

	<u>Computers and related NIS</u>	<u>Furniture and fixture NIS</u>	<u>Vehicles NIS</u>	<u>Equipment and tools NIS</u>	<u>Total NIS</u>
<b>Cost:</b>					
Balance as of 1/1/2020	248,842	174,770	72,000	54,702	550,314
Additions	978	619	--	8,780	10,377
<b>Balance as of 31/12/2020</b>	<b>249,820</b>	<b>175,389</b>	<b>72,000</b>	<b>63,482</b>	<b>560,691</b>

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

<u>year of acquisition</u>	<u>Cost NIS</u>
Prior to 2015	366,318
2015	1,397
2016	290
2017	39,818
2018	90,481
2019	62,387
<b>Total</b>	<b>560,691</b>

c. Properties and equipment were recorded at cost at the date of acquisition 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.

**8. Cases and lawsuits:**

There is no cases filed against the agency or from the agency during 2020 according to the management letter dated April 25, 2021.

**9. COVID-19:**

Due to the continues impact of COVID-19 during 2020 on the global economy and on all economic sectors with the accompanying restrictions imposed in Palestine and the rest of world regarding traveling and quarantine which effect on all economic sectors. Management will continually review the impact of this pandemic on the operations of the agency during 2021 and study the effects of this pandemic on the assumptions and estimates used by the agency management.