

**Suleiman & Co. Certified Public Accountants - License No. 205**  
Correspondent Firm of RSM International in East Jerusalem, West Bank and Gaza

**Ministry of Finance and Planning**

**Project title**

Palestinian Recovery and Development Plan – Multi Donor  
Trust Fund No. 99558

**Funded by**

Donors and Administrated by International Bank for  
Reconstruction and Development

Statement of Cash Receipt and Disbursements and  
Independent Auditors' Report

For the Period from October 1, 2015 to October 31, 2016

**International Bank for Reconstruction and Development  
Palestinian Recovery and Development Plan – Multi Donor Trust Fund No. 99558  
Funded by Donors and Administrated by International Bank for Reconstruction and Development  
Statement of Cash Receipts and Disbursements  
For the Period from October 1, 2015 to October 31, 2016**

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**Correspondent Firm of RSM International in East Jerusalem, West Bank and Gaza**

**Independent Auditor's Report**

**To the International Bank for Reconstruction and Development**

**Report on the Financial Statement**

We have audited the accompanying statement of cash receipts and disbursements of the Ministry of Finance and Planning (hereinafter "MoFP") for the period from October 1, 2015 to October 31, 2016 with respect to Grant No. TF99558 with regard to the cash transfers made by the International Bank for Reconstruction and Development (hereinafter the "World Bank") as administrator of grant funds provided by donors to the Palestinian Recovery and Development Plan – Multi Donor Trust Fund (hereinafter "PRDP-MDTF") and a summary of significant accounting policies and explanatory notes.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the statement of cash receipts and disbursements in accordance with standards set out in (note 2). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of statement of cash receipts and disbursements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates, as and when appropriate, that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the statement of cash receipts and disbursements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the statement of cash receipts and disbursements is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of cash receipts and disbursements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of activities, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the MoFP preparation and fair presentation of the statement of cash receipts and disbursements 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 MoFP internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion:

- The accompanying statement of cash receipts and disbursements for the period from October 1, 2015 to October 31, 2016 has been prepared, in all material respects, in accordance with the basis of accounting as described in (note 2);
- The disbursed funds made by the World Bank have been deposited in a special account for exclusive purposes, as stipulated in the grant agreement;
- No funds are kept in or paid into the Deposit Account other than those disbursed by the World Bank for this particular operation;
- All withdrawals from the Deposit Account for payments are for legitimate budgetary purposes, following procedures established by the MoFP; and
- The MoFP has met the World Bank requirements by following adequate disbursements procedures including accuracy of exchange rate conversion.

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**Basis of Accounting and restriction on Distribution**

Without modifying our opinion, we draw attention to (note 2) which describes the basis of accounting. The financial statement is prepared for the purposes of providing information to the MoFP and the World Bank. As a result, the financial statement may not be suitable for another purpose. Furthermore, Our report is intended solely for the World Bank and MoFP and should not be distributed to any other parties.

[Redacted signature block]

**Ramallah, December 22, 2016**

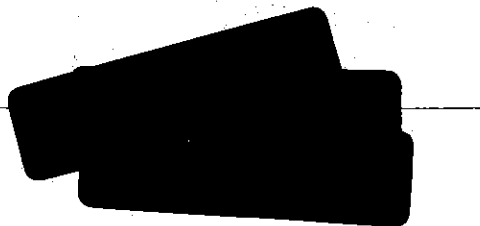


**International Bank for Reconstruction and Development  
 Palestinian Recovery and Development Plan – Multi Donor Trust Fund No. 99558  
 Funded by Donors and Administrated by International Bank for Reconstruction and Development  
 Statement of Cash Receipts and Disbursements  
 For the Period from October 1, 2015 to October 31, 2016**

**Statement of Cash Receipts and Disbursements**  
 (All amounts in USD)

	<u>Note</u>	<u>Amount (USD)</u>
<b>Cash receipts</b>		
Remittances received from the World Bank	4	73,440,641
<b>Total cash receipts</b>		<u>73,440,641</u>
<b>Disbursements</b>		
Amounts disbursed out from the designated account	5	73,440,509
Bank charges		132
<b>Total disbursements</b>		<u>73,440,641</u>
<b>Change in fund balance during the period</b>		-
Beginning fund balance as of October 1, 2015		-
<b>Fund balance - October 31, 2016</b>		<u>-</u>

The accompanying notes from 1 to 5 are an integral part of this statement.



International Bank for Reconstruction and Development  
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 Statement of Cash Receipts and Disbursements  
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Notes to Statement of Cash Receipts and Disbursements  
 (All amounts in USD)

**NOTE (1) GENERAL**

The Palestinian Liberation Organization (hereinafter the "Recipient") for the benefit of the Palestinian Authority (hereinafter the "PA") has signed agreement in April 11, 2008 with the International Development Association (hereinafter the "World Bank") to act as administrator (hereinafter the "Administrator") of the Trust Fund for Gaza and West Bank, that are provided by various donors to support Palestinian Recovery and Development Plan. The total amount per signed grant agreement was originally USD 83,860,000. Furthermore, several modifications amended to the amount of agreement, whereby the latest amendment dated September 14, 2016, increased the amount to become USD 1,457,215,529. The actual grant amount received by the MoFP as of October 31, 2016 is as follows:

	<u>Amount (USD)</u>
Total amount received, up-to September 30, 2015	1,383,775,844
Amount received in current period	73,440,641
Total amount received, up-to October 31, 2016 per MoFP records	<u>1,457,216,485</u>
Total amount received, up-to October 31, 2016 per World Bank records	<u>1,457,215,529</u>
<b>Difference *</b>	<u>956</u>

(\*) The difference is immaterial and is mainly due to currency fluctuation from past years GBP contribution.

The objective of the grant is to provide financing in support of the program of actions, objectives and policies set forth in the Palestinian Recovery and Development Plan and as outlined in the Letter of Development Policy declaring the Recipient's commitment to the implementation of the Program.

The Recipient shall cause the Palestinian Authority to work towards the implementation of, and carry out, the Program with due diligence and efficiency, and in accordance with the provisions of signed Agreement.

**NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying statement presents the cash receipts and disbursements made from the PRDP-MDTF account only with regard to grant number TF99558 signed between the Palestinian Liberation Organization and the World Bank, and does not include any amounts received or spent under any other agreement.

MOFP policy is to prepare the accompanying statement on the cash receipts and disbursements basis. This basis is a comprehensive basis of accounting other than International Financial Reporting Standards. On this basis, revenues and other cash collections are recognized when received, rather than when earned and expenses are recognized when paid.

**International Bank for Reconstruction and Development**  
**Palestinian Recovery and Development Plan – Multi Donor Trust Fund No. 99558**  
**Funded by Donors and Administrated by International Bank for Reconstruction and Development**  
**Statement of Cash Receipts and Disbursements**  
**For the Period from October 1, 2015 to October 31, 2016**

**Notes to Statement of Cash Receipts and Disbursements (continued)**  
 (All amounts in USD)

**NOTE (3) FOREIGN CURRENCIES**

The accompanying statement is denominated in US Dollar. Accordingly, transactions included in the statement of Cash Receipts and Disbursements that were already not measured in USD have been translated to USD using exchange-ruling rate at the date of transaction.

**NOTE (4) REMITTANCE RECEIVED FROM THE WORLD BANK**

This amount represents transfers made by the World Bank to the PRDP-MDTF account number 1212769 opened by the MoFP at the Bank of Palestine (BoP) in US Dollar during the period from October 1, 2015 to October 31, 2016, as detailed below:

<u>Value date by World Bank</u>	<u>Date received by MoFP</u>	<u>Amount received by MoFP (USD)</u>
December 23, 2015	December 27, 2015	21,996,900
July 11, 2016	July 12, 2016	30,305,141
October 3, 2016	October 4, 2016	21,138,600
<b>Total grants during the period from October 1, 2015 to October 31, 2016</b>		<b>73,440,641</b>

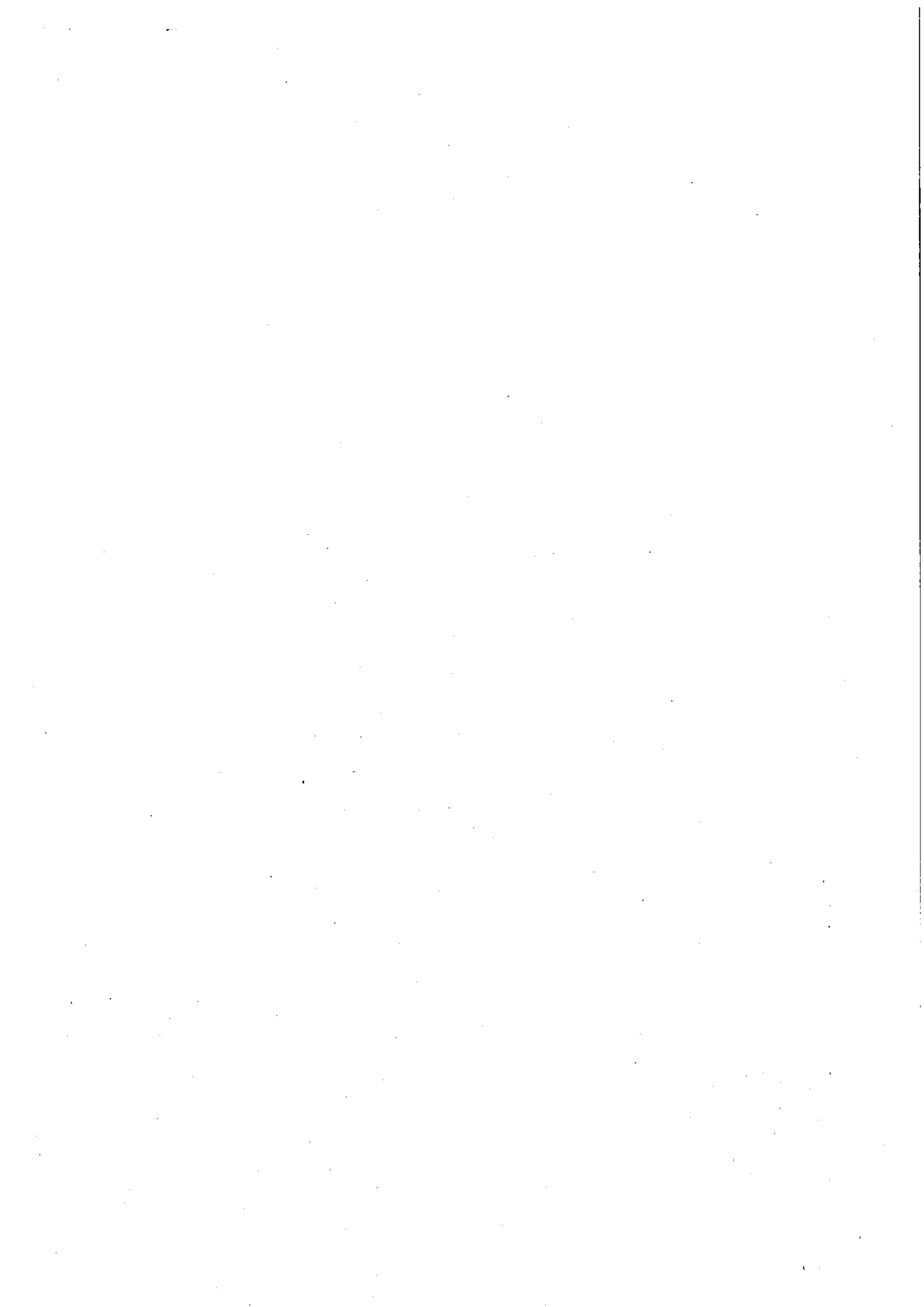
**NOTE (5) AMOUNTS DISBURSED OUT FROM THE DESIGNATED ACCOUNT**

All withdrawals from the PRDP-MDTF designated accounts were made to the following PA single treasury accounts.

1. 2067770 – 560 – Bank of Palestine (ILS).
2. 100084 – 171 – Arab Bank (ILS).

Following are the details of the disbursements made from the PRDP-MDTF Designated Accounts:

<u>Date of transfer</u>	<u>Amount (USD)</u>	<u>Rate</u>	<u>Amount Transferred to Single Treasury Account</u>	
			<u>Arab Bank (ILS)</u>	<u>Bank of Palestine (ILS)</u>
January 1, 2016	21,996,856	3.8935	85,644,759	-
June 30, 2016	30,000,000	3.8450	115,350,000	-
July 14, 2016	305,097	3.8480	-	1,174,013
October 25, 2016	21,138,556	3.8515	81,415,148	-
	<b>73,440,509</b>		<b>282,409,907</b>	<b>1,174,013</b>





Terms of Reference

**TERMS OF REFERENCE FOR THE AUDIT OF  
DFID FINANCIAL DEVELOPMENT ASSISTANCE TO THE PA  
FOR THE 2013/14 FINANCIAL YEAR**

**1. Background**

Depending on the development partnership between the Palestinian National Authority (PNA) and the Government of the United Kingdom of Great Britain and Northern Ireland (UK), acting through the Department for International Development (DFID), DFID will finance the PA with an amount not exceeding GBP35 million during the UK 2013/14 financial year to cover civil servants, the Ministry of Finance depending on the size of the DFID funding will draw up a list of civil servants who meet agreed eligibility criteria and whose salary payments for the months of 2013 equal to total the DFID funding.

The Ministry of Finance will then ensure that the salaries of those listed civil servants are paid from the PA's general Shekel account.

**2. Objectives of the assignment**

The primary objective of the audit engagement is to enable the auditor to express a professional opinion on (i) the financial position of the DFID funding, (ii) to ensure that the funding has been used for a list of civil servants selected upon agreed on the eligibility criteria for selection of the civil servants

**3. Qualification Requirements of the Key Staff**

- Project Manager, a Certified Public Accountant (CPA) at least 10 years experience.
- Senior Manager, a Certified Public Accountant (CPA) at least 8 years experience.
- Auditor, BA in accounting with at least 6 years experience

**4. Financial Statements**

The audit report should include

- A statement of sources and uses of funds;
- A Statement of Designated Account;
- Disclosure notes to the Financial Statements for significant accounting policies and all other relevant information, including numbers of beneficiaries in line ministries.

**5. Audit Reports and the Coverage Period**

The audit assignment shall cover the period commencing from *January 01, 2013* and continuing through *December 31, 2013*. The audit report will be issued on a semiannual basis; the first audit report shall cover the period from January 01, 2013 to June 30, 2013 and must be submitted to MoF no later than August 10, 2013, the second audit report shall cover the period from July 01, 2013 to Dec 31, 2013 and must be submitted to MoF no later than February 28, 2014.

6. Standards

The audit will be carried out in accordance with the International Standards on Auditing (IAS) issued by the International and Assurance Standards Board (IAASB).

7. Coverage

This is a special purpose audit as defined by International Standards on Auditing. It is restricted to verifying the extent to which the Grant agreements are met and whether the PA's procedures are adequate to achieve this result.

8. Access

The PA will provide to the auditor concerned a description of procedures and documents used to ensure that DFID funding are met, and give sufficient access to the auditor to enable the auditor to reach an opinion (including access to appropriate documents and receiving explanations from appropriate officials).

The PA will provide to the auditor a copy of the Agreement and any other documents in relation to such information and explanations as auditors consider necessary to perform their duties and fulfil their responsibilities.

9. Meetings

The Auditor will be requested to attend the meeting of MOF Officials to discuss and receive explanations pertain the DFID funding, and also will discuss the audit report which concerns the auditor.

10. **Termination of Appointment.** If there are serious shortcomings on the part of the Auditor, the MoF, after consultation with the DFID, may pass a resolution to remove the Auditors before the expiry of their assignment.