

**Health System Resiliency strengthening project
(HSRSP) (TF 018986)**

Funded by

International Development Association (IDA)

Implemented by

**The Palestinian Ministry of Health
Ramallah – Palestine**

**Independent Auditor's Report and
Financial Statements for the year ended December 31, 2017**

Talal Abu-Ghazaleh & Co.
Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT

To M/s Palestinian Ministry of Finance & Planning.
Ramallah - Palestine

Opinion

We have audited the accompanying financial statements of the **Health System Resiliency strengthening project (HSRSP) (TF 018986) funded by International Development Association (IDA) Implemented by The Palestinian Ministry of Health**, which comprise the financial position as of December 31, 2017 and the related statement of sources and uses of funds, statement of designated account for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statement present fairly, in all material respects, the financial position of the project as of December 31, 2017, and its sources and uses of funds for the year then ended in accordance with the basis of accounting policies specified in note (2).

In addition:

1. The project expenditures reimbursed on basis of Statements of Expenditures are eligible according to the grant agreement and are reflected on the project financial statements.
2. The designated account has been used exclusively for payment of eligible expenditures as reflected in the project financial statements,
3. The project's accounting system (books and records) provides the basis for the preparation of the project financial statements, was established to record the financial transactions of the project, and was maintained by the project's implementing agency.
4. Internal control over financial reporting involved in the preparation of replenishments, direct payments, payments through special commitments and reimbursements can be relied upon to support the related withdrawals.
5. The World Bank Procurement Guidelines have been properly applied and in accordance with the agreement.
6. The project was, in all material respects, in compliance with laws, regulations, guidelines and provisions governed by the agreement signed with donor.

The financial statements for the year ended December 31, 2016 were audited by another auditor who issued an unqualified audit report on March 19, 2017.

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 our report.

We are independent of the project 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 basis of accounting policies specified in note (2) and with the requirements of World Bank manuals and guidelines, and for such internal control as management determines 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 project'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 project or to cease operations, or have no realistic alternative but to do so.

Management is responsible for overseeing the project'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 statements 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 company'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 project'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 project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent 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 project keeps properly organized accounting records, we have also obtained all information and disclosures that we believe they are necessary to our audit.

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
October 22, 2018



Health System Resiliency strengthening project
(HSRSP) (TF 018986)

Funded by
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Implemented by
The Palestinian Ministry of Health
Ramallah – Palestine

Statement of Financial Position
As of December 31, 2017

Exhibit “A”

<u>Assets</u>	<u>Note</u>	<u>December</u> <u>31, 2017</u> USD	<u>December</u> <u>31, 2016</u> USD
<u>Current Assets</u>			
Cash and cash equivalents	(3)	687,414	725,631
Total current assets		<u>687,414</u>	<u>725,631</u>
Total assets		<u>687,414</u>	<u>725,631</u>
 <u>Liabilities and fund balance</u>			
Fund balance – Exhibit “ B”		687,414	725,631
Total liabilities and fund balance		<u>687,414</u>	<u>725,631</u>

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

Health System Resiliency strengthening project
(HSRSP) (TF 018986)

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Implemented by

The Palestinian Ministry of Health

Ramallah – Palestine

Statement of Sources and Uses of Funds

for the year ended December 31, 2017

Exhibit “B”

	<u>Note</u>	<u>Cumulative</u>		<u>Cumulative</u>	
		<u>to December</u>	<u>2017</u>	<u>to December</u>	<u>2016</u>
		<u>31, 2017</u>	<u>2017</u>	<u>31, 2016</u>	<u>2016</u>
		<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
<u>Sources of funds:</u>					
Transfers from donors	(4)	2,508,843	153,715	2,355,128	900,206
Direct payments by donors	(4)	774,881	--	774,881	774,881
Advance Payments	(4)	750,000	--	750,000	(545,078)
Totals sources of Funds		4,033,724	153,715	3,880,009	1,130,009
<u>Uses of funds:</u>					
Category 1: Goods, consultants' services, training and operating costs Under Component's 2,3 and 4	(5)	(1,272,372)	(191,932)	(1,080,440)	(986,485)
Category 2: Operation and maintenance expenditures for health facilities Under Component's 1	(5)	(2,073,938)	--	(2,073,938)	--
Totals uses of funds		(3,346,310)	(191,932)	(3,154,378)	(986,485)
Change in fund balance during the year		687,414	(38,217)	725,631	143,524
Fund balance beginning of the year		--	725,631	--	582,107
Fund balance end of the year – Exhibit “A”		687,414	687,414	725,631	725,631

Health System Resiliency strengthening project
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Statement of Designated Account
Bank of Palestine Account No. 2177660 USD
for the year ended December 31, 2017 – Exhibit “C”

	<u>Note</u>	<u>2017</u> <u>USD</u>	<u>2016</u> <u>USD</u>
Balance beginning of the Period		731,146	580,028
Cash receipts during the year		153,715	355,128
Transferred from NIS sub-bank account		--	2,015
Cash disbursements	(6)	(197,243)	(206,025)
Balance end of the Period	(3)	<u>687,618</u>	<u>731,146</u>

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Notes to the Financial Statements

1. Background:

The Palestinian Liberation Organization, for the benefit of the Palestinian Authority, and the International Development Association (the World Bank), acting as an administrator of the Trust Fund for Gaza and West Bank, signed a grant agreement (the Agreement), dated February 4, 2015, whereby the World Bank made a grant, to the Palestinian Authority, in an amount equals to USD 7,250,000 to finance a project entitled "Health System Resiliency Strengthening Project" (the Project), Implemented by the Palestinian Ministry of Health (MoH). Thereafter, on September 15, 2015, amendment No.1 to the Agreement was signed to increase the grant amount to USD 8,500,000 by adding additional funds of USD 1,250,000 to category 1.

The categories to be financed by the World Bank and the percentage of expenditure for items to be financed in each category are as follows:

<u>Category</u>	<u>Amount of net grant Allocated Amount USD</u>	<u>Percentage of Expenditure to be Financed</u>
1. Goods, consultants' services, training and operating costs	6,500,000	100%
2. Operation and maintenance expenditures for health facilities	2,000,000	100%
	<u>8,500,000</u>	

The objective of the Project is to support the Palestinian Authority in securing continuity in healthcare service delivery and building its resilience to withstand the future surge in demand for effective healthcare coverage.

The Project comprises the following parts:

Component 1: Emergency and Rapid Response Window

Component 2: Rationalizing Outside Medical Referrals

Component 3: Supporting Health Coverage to Strengthen Sector Resilience

Component 4: Project Management and Capacity Building

The Agreement specifies that expenses, up to an aggregate amount not to exceed USD 2,000,000, incurred prior to the date of the Agreement but on or after October 1, 2014 are eligible for financing.

The closing date of the Project is June 30, 2020.

The financial statements of the project were approved by the project's management on November 28, 2018.

2. Summary of significant accounting policies:

– **Basis of accounting:**

The Project financial statements are prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than International Financial Reporting Standards (IFRSs). Sources of funds are recognized either when cash is received or when the direct payment is effected by the World Bank and uses of funds are recognized when cash payments are made or when expenditure are due for direct payment. For the presentation purposes in the Statement of Sources and Uses of Funds, amounts deducted by the World Bank as recovery from previously made advance payment are presented as part of replenishments and as reductions from the advance payment.

– **Foreign currencies translations:**

The recording currency is USD, transactions in foreign currencies are translated at the rate prevailing at the time of transaction. Exchange differences gains or losses arising from these translations are recorded in the statement of sources and uses and designated bank account statement.

3. Cash and cash equivalents:

This item consists of:

	<u>December</u> <u>31, 2017</u>	<u>December</u> <u>31, 2016</u>
	USD	USD
Balance per designated bank account	687,618	731,146
Less: outstanding checks	(204)	(5,515)
Total	687,414	725,631

4. **Sources of Funds:**

This item consists of:

<u>App. No.</u>	<u>Date of Transfer</u>	<u>Kind of payments</u>				<u>Categories</u>	
		<u>Amount</u> USD	<u>Replenishment</u> USD	<u>Advance payment</u> USD	<u>Direct Payment</u> USD	<u>CAT 1:Goods, consultants' services, training and operating costs</u> USD	<u>CAT 2: Operation and maintenance expenditures for health facilities</u> USD
10	January 11, 2017	12,148	12,148	--	--	12,148	--
11	April 10, 2017	26,896	26,896	--	--	26,896	--
12	May 22, 2017	20,138	20,138	--	--	20,138	--
13	July 27, 2017	32,730	32,730	--	--	32,730	--
14	October 24, 2017	61,803	61,803	--	--	61,803	--
Total		153,715	153,715	--	--	153,715	--
Cumulative to Dec. 31, 2016		3,880,009	2,355,128	750,000	774,881	1,056,071	2,073,938
Total		4,033,724	2,508,843	750,000	774,881	1,209,786	2,073,938

5. Uses of funds:

This item consists of:

Item	<u>2017</u> USD	<u>2016</u> USD
Category 1 :Goods, consultants' services, training and operating costs		
Component 2: Rationalizing Outside Medical Referrals:		
Goods	24,461	873,894
Consultants' Services	43,138	7,656
Total	<u>67,599</u>	<u>881,550</u>
Component 3: Supporting Health Coverage to Strengthen Sector Resilience:		
Consultants' Services	33,100	
Total	<u>33,100</u>	<u>--</u>
Component 4: Project Management and Capacity Building:		
Goods	--	1,006
Consultants' Services	84,560	95,056
*Operating cost:		
<i>Communication</i>	1,472	3,066
<i>Bank charges</i>	243	176
<i>Office Maintenance</i>	409	976
<i>Office Supplies</i>	1,243	2,322
<i>Printing and advertising</i>	3,011	1,338
<i>Other Miscellaneous Expense</i>	295	931
<i>Currency variance</i>	--	64
Operating cost*	<u>6,673</u>	<u>8,873</u>
Total	<u>91,233</u>	<u>104,935</u>
Total Category 1 :Goods, consultants' services, training and operating costs	<u>191,932</u>	<u>986,485</u>
Category 2: Operation and maintenance expenditures for health facilities	--	--
Component 1: Emergency and Rapid Response Window	--	--
Current year expenditures	<u>191,932</u>	<u>986,485</u>
Cumulative prior years expenditures	<u>3,154,378</u>	<u>2,167,893</u>
Total	<u>3,346,310</u>	<u>3,154,378</u>

6. Cash disbursements:

This item consists of:

	<u>2017</u> <u>USD</u>	<u>2016</u> <u>USD</u>
Total uses of fund during the year	(191,932)	(986,485)
Add: Outstanding checks as of December 31, 2016	(5,515)	--
Less: Outstanding checks as of December 31, 2017	204	--
Outstanding checks as of December 31, 2016	--	5,515
Direct payment	--	774,881
Loss from currency exchange	--	64
Cash disbursements during the year	<u>(197,243)</u>	<u>(206,025)</u>

7. Reconciliation between MoH records and World Bank records by categories:

This item consists of:

	<u>2017</u> <u>USD</u>	<u>2016</u> <u>USD</u>
Client connection Records		
Amount Advanced Less Recovered	750,000	750,000
Add: Client connection balance by category		
Category 1: Goods, consultants' services, training and operating costs Under Component's 2,3 and 4	1,209,786	1,056,071
Category 2: Operation and maintenance expenditures for health facilities Under Component's 1	2,073,938	2,073,938
Total Client connection Records	<u>4,033,724</u>	<u>3,880,009</u>
Project Records		
Cash at Bank – Note (3)	687,414	725,631
Add: Disbursements		
Category 1: Goods, consultants' services, training and operating costs Under Component's 2,3 and 4	1,272,372	1,080,440
Category 2: Operation and maintenance expenditures for health facilities Under Component's 1	2,073,938	2,073,938
Total Project Records	<u>4,033,724</u>	<u>3,880,009</u>