Palestinian National Authority
Ministry of Finance
Additional Financing for Cash Transfer Project (CTPAF)
Grant Number (TF015389)
Funded by
International Development Association (IDA)
Ramallah – Palestine

Letter to Management for Auditing the
Financial Statements for the
year ended December 31, 2016

Talal Abu-Ghazaleh & Co.
Certified Public Accountants
Ramallah on May 15, 2017

To M/s Ministry of Finance
Ramallah - Palestine

Subject: Management letter for auditing
Additional Financing for Cash Transfer Project (CTPAF)

We have audited the financial statements of Additional Financing for Cash Transfer Project (TF015389) funded by International Development Association (IDA) for the year ended December 31, 2016.

In planning and performing our audit of the Project, we considered the internal control structure of CTPAF in order to determine our auditing procedures for expressing our opinion on the financial statements and not to provide assurance on the internal control structure. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses in accordance with the standards referred to above. This report is comprised of one section, which contains recommendations related to certain improvements in the existing systems and procedures noted in the current year.

Our consideration of the internal control structure was for the limited purpose of expressing an opinion on the financial statements taken as a whole, and therefore would not necessary disclosing all matters that might be reportable conditions. In addition, because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected by such control structure. This report is intended solely for the information and use of the management and others within the organization and should not be used for any other purpose.

Finally, we would like to express our appreciation for the courtesy extended to us by the responsible personnel in the (CTPAF).

Truly yours

Talal Abu-Ghazaleh & Co.

Jamal Milhem, CPA
Certified Accountant License # (100/98)
Executive Director
1. **Determining the Extreme Poverty line**

**Observation**
During our course of audit, we noticed that the Grant Agreement indicates that the extreme poverty line were defined in accordance with the 2007-2009 PCBS poverty distribution, while we found during our field work that the extreme poverty line used by MoSA is defined by the 2009 – 2010 Palestinian Expenditure and Consumption Survey (PECS) issued by PSBS.

Also, it’s worth to mention that the surveys and studies adopted in defining the extreme poverty line are outdated.

**Recommendation**
We recommend reviewing the agreement to reflect the accurate data and information related to defining extreme poverty lines, and we recommend adopting updated studies and surveys in determining extreme poverty line.

**Management Response**
For the Determining the Extreme Poverty line, the extreme poverty line was updated to 2009 – 2010 Palestinian Expenditure and Consumption Survey (PECS) issued by PSBS by consultation between MoSD and the World Bank.

2. **Internal Controls Over Beneficiaries Transfers**

**Budget Allocation:**

**Observation**
During our course of audit, we noticed that the IT department prepares the CD containing beneficiaries lists on excel sheets, but there are no protective internal controls over those lists on this stage, i.e. the preparer can modify the names before sending them to MoF.

**Recommendation**
We recommend enhancing the protective controls on the CD preparing stage and not depending only on the detective internal control procedures.

**Management Response**
The beneficiaries lists put on excel sheets, the beneficiaries lists are placed on CD in access format not excel sheets, in future MoSD will protect the CD in pass word.

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