NGO Development Center (NDC)

MEMORANDUM OF SUGGESTIONS
FOR IMPROVEMENT OF INTERNAL CONTROLS

For the year ending December 31, 2016
April 13, 2017

To the Management of the NGO Development Center (NDC)  
Jerusalem

Under International Standards on Auditing, auditors are encouraged to report various matters concerning an entity’s internal control structure noted during their audit, and are required to report certain of those matters. Matters that are required to be reported are “significant deficiencies in the design or operation of the internal control structure that, in the auditor’s judgment, could adversely affect the entity’s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.”

As part of our work on the statutory audit of the financial statements of the NGO Development Center (hereinafter “the organization” or “NDC”) for the year ended December 31, 2016, we considered the organization’s internal control structure in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. While our purpose was not to provide assurance on the internal control structure, one matter came to our attention that we want to report to you. This matter, along with our recommendations, is described in the accompanying memorandum.

This letter and memorandum is intended solely for the use of the organization’s management and is not intended for any other purposes.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss these recommendations in greater detail or otherwise assist in their implementation.

Sincerely yours,

PricewaterhouseCoopers Palestine
Ramallah, Palestine
1. **COMPLIANCE WITH LOCAL LAWS AND REGULATIONS**

   **Background**
   For some of Jerusalem ID employees, NDC declares only a part of their salaries to the Palestinian tax authorities, and does not report or deduct income tax on the entire salary amount.

   **Business Impact**
   Non-compliance with local laws and regulations can expose the organization to legal consequences and fines from tax authorities. The organization may be subject to litigations and incur unwanted costs.

   **Recommendation**
   We recommend the organization to fully comply with the applicable local laws and regulations to avoid any future conflicts with tax or legal authorities.

   **Management Response**
   NDC divides salaries into two accounts, monthly salaries and management fees. NDC’s policy is to declare salaries only and not the management fees. This is to help our staff holding Jerusalem IDs. The management fees represent only 16.77% of the 2016 salaries and related expenses.