

**THE MINISTRY OF SOCIAL DEVELOPMENT**

**Project Title**  
**SOCIAL PROTECTION ENHANCEMENT PROJECT**  
**(TF0A5359)**

**Funded by**  
**INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)**

**Financial Statements**  
**and Independent Auditor's Report**  
**for the Period from August 15, 2017 to December 31, 2018**

**The Ministry of Social Development  
Social Protection Enhancement Project (TF0A5359)  
Funded by International Development Association  
Financial Statements  
For the Period from August 15, 2017 to December 31, 2018**

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

**Independent Auditor's Report**

**To The Ministry of Social Development**  
**Ramallah**

**Opinion**

We have audited the financial statements of “**Social Protection Enhancement Project (TF0A5359)**” (**the Project**) funded by the International Development Association (IDA) , managed by Ministry of Finance and Planning (hereinafter “MoFP”) and implemented by the Ministry of Social Development (hereinafter “MoSD”), which comprise the statement of Financial Position for the period from August 15, 2017 to December 31, 2018, and the related statement of sources and uses of funds, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the statement of Financial Position of “**Social Protection Enhancement Project (TF0A5359)**” funded by the International Development Association, , managed by Ministry of Finance and Planning and implemented by the Ministry of Social Development for the period from August 15, 2017 to December 31, 2018, and the related statement of sources and uses of funds for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for 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 ethical requirements that are relevant to our audit of the financial statements in areas under the jurisdiction of the Palestinian Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Going Concern**

The Project’s financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management’s use of the going concern basis of accounting in the preparation of the Project’s financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the Project’s ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Project’s ability to continue as a going concern.

**Other Matters**

Based on our review, in all material respects:

1. The Designated Bank Account has been used exclusively for payment of eligible expenditures as reflected in the financial statements.

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2. The Project's accounting system (books and records), established and maintained by the MOSD to record the financial transactions of the Project, provides the basis for preparation of the Project's financial statements;
3. Internal control over financial reposting involved in the preparation of replenishments, direct payments, payments through special commitments, and reimbursements can be relied upon to support the related withdrawals.
4. The Project was in all material respects in compliance with the laws, regulations, guidelines and provisions governed by the Grant Agreement.
5. Procurement Guidelines have been properly applied in accordance with the Project's Grant Agreement.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, 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. MoSD is responsible for overseeing the Project's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

The objectives of our audit are to obtain reasonable assurance about whether the Project financial statements taken 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:

1. 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.
2. 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 Project's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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4. 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 those charged with governance 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, if any.



**Ismail Suleiman**  
**Certified Public Accountant**  
**License number 131/2000**  
**Ramallah, June 24, 2019**

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**Statement of Financial Position**

(All amounts in USD)

	<u>Note</u>	<u>As of 2018</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash at banks	5	2,573,873
<b>Total current assets</b>		<u>2,573,873</u>
<b>Total assets</b>		<u>2,573,873</u>
<b>Liabilities and fund balance</b>		
Fund balance	5	2,573,873
<b>Total liabilities and fund balance</b>		<u>2,573,873</u>

The accompanying notes form an integral part of these financial statements.

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**Statement of Sources and Uses of Funds**  
(All amounts in USD)

	<u>Note</u>	<u>For the period from August 15, 2017 to December 31, 2018</u>
<b>Fund balance – Beginning of the period</b>		<u>-</u>
<b>Sources of fund</b>		
Advance payment		2,600,000
Reimbursement		5,044
<b>Total sources of fund</b>	3	<u><b>2,605,044</b></u>
<b>Uses of funds</b>		
Funds disbursed (operating expenses)	4	31,171
<b>Total uses of funds</b>		<u><b>31,171</b></u>
<b>Change in fund balance</b>		<u>2,573,873</u>
<b>Fund balance – End of the period</b>	5	<u><b>2,573,873</b></u>

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**Notes to the Project Financial Statements**

(All amounts in USD)

**1. The Project and its Financing**

On August 15, 2017, the International Development Association (IDA), acting as administrator of the Trust Fund for Gaza and West Bank (World Bank), and the Palestinian Liberation Organization (PLO), for the benefit of Palestinian Authority, has signed Trust Fund Grant Agreement Number “TF0A5359” in the amount of USD 15,000,000 towards the reconstruction and development and to be used for Financing rehabilitation projects in parts of Gaza Strip and the West Bank which are under the jurisdiction of the Palestinian Authority. The Project is to be implemented by the Ministry of Social Development (MoSD) over the period from August 15, 2017 to July 31, 2023.

The objectives of the Project are as follows:

- Supporting the implementation of the new Social Development Strategy to mitigate poverty and vulnerability by providing cash assistance to a subset of extremely poor households covered by the Cash Transfer Program.
- Developing a Social Registry for improved coverage and targeting of social programs.
- Piloting a Case Management System to provide complementary services to address social vulnerabilities and promote productive inclusion, part of these Grants will be utilized for consultancy services to carry out the services of financial and technical auditing.

**2. Summary of Significant Accounting Policies**

The Project financial statements are prepared as per the Palestinian government applicable standards for Internationally funded projects.

Significant accounting policies follow:

• **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 (IFRS). Under this basis of accounting, sources of funds are recognized when related cash is received from IDA the World Bank and uses of funds are recognized when cash payments are made by MoSD.



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**Notes to the Project Financial Statements – continued**  
(All amounts in USD)

**2. Summary of Significant Accounting Policies – continued**

- **Foreign currency**

The Project’s basic functional currency is the United States Dollar (USD). Transactions that are expressed or denominated in other currencies were translated to USD using exchange rates in effect at the time of each transaction. Differences arising from the fluctuations in exchange rates were treated as exchange gains or losses in the statement of sources and uses of funds and designated bank account statement.

**3. Sources of Funds**

These amounts represents transfers made by the World Bank to Bank account number 0206777, Bank account number 3202341 and Bank account number 3202341, opened by the MoSD at the Bank of Palestine (POB) in USD during the period from August 15, 2017 to December 31, 2018, as detailed below:

<u>Date of transfer</u>	<u>Account Number</u>	<u>Amount received by MoSD</u>	
		<u>(USD)</u>	
		<u>The Bank of Palestine (USD)</u>	
February 1, 2018	0206777		2,000,000
August 28, 2018	3202341		600,000
November 8, 2018	3202341		5,044
			<b><u>2,605,044</u></b>

**4. Funds disbursed**

This amount represents the payment of salaries as follows:

	<u>Amount Paid in</u>
	<u>(USD)</u>
Payroll	31,059
Bank charges	112
	<b><u>31,171</u></b>

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**Notes to the Project Financial Statements – continued**  
(All amounts in USD)

**5. Fund Balance – End of Period**

The fund balance at December 31, 2018 represents the following:

	<u>All amounts in USD</u>			
	<u>World bank records</u>	<u>MoSD records</u>	<u>Note</u>	<u>Difference</u>
Designated bank account #3202341 as of December 31, 2018	605,044	605,044		-
Less: funds disbursed under category II by MoSD	-	(31,127)		(31,127)
<b>Balance per records</b>	<b>605,044</b>	<b>573,917</b>		<b>31,127</b>
Designated bank account #0206777 as of December 31, 2018	2,000,000	2,000,000		-
Less: funds disbursed under category II by MoSD	-	(44)		(44)
<b>Balance per records</b>	<b>2,000,000</b>	<b>1,999,956</b>		<b>44</b>
<b>Total balance</b>	<b>2,605,044</b>	<b>2,573,873</b>	<b>4</b>	<b>31,171</b>

**Note:** the difference between World Bank records and MoSD records represents amount disbursed on the Project by the MoSD.