

THE PALESTINIAN MINISTRY OF FINANCE

SOCIAL PROTECTION ENHANCEMENT PROJECT

TF0A5359

FUNDED BY THE INTERNATIONAL DEVELOPMENT ASSOCIATION

AND MANAGED BY THE PALESTINIAN MINISTRY OF SOCIAL
DEVELOPMENT

PROJECT FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY 1, 2022 TO DECEMBER 31, 2022

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
Balance Sheet	4
Statement of Sources and Uses of Funds and Changes in Fund Balance	5
Designated Bank Account Statement	6-8
Notes to the Financial Statements	9-14

Independent Auditors' Report

To: **The Palestinian Ministry of Finance**
Ramallah

Opinion

We have audited the accompanying financial statements of the Social Protection Enhancement Project (the Project or/and SPEP) funded by the International Development Association (the World Bank or/and IDA) under Trust Fund Grant Agreement Number TF0A5359 (the Grant Agreement) and managed by the Palestinian Ministry of Social Development (MoSD), which comprise the Balance Sheet as at December 31, 2022 and the related Statement of Sources and Uses of Funds and Changes in Fund Balance and Designated Bank Account Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion:

- The financial statements referred to above present fairly, in all material respects, the financial position of SPEP as at December 31, 2022 and its sources and uses of funds and changes in fund balance for the year then ended in accordance with the basis of accounting as described in note 2 to the financial statements;
- SPEP's expenditures reimbursed on basis of Statements of Expenditure (SOEs) are eligible to the World Bank financing and are incorporated in SPEP's financial statements;
- The Designated Bank Accounts have been exclusively used for payment of eligible expenditures as reflected in SPEP's financial statements;
- The accounting system (books and records), established and maintained by MoSD to record the financial transactions of SPEP, provides the basis for the preparation of SPEP's financial statements;
- Internal control over financial reporting surrounding the preparation of replenishments, direct payments, and reimbursements can be relied upon to support the related withdrawals;
- The World Bank Procurement Guidelines have been properly applied and in accordance with the Grant Agreement; and
- SPEP was in all material respects in compliance with the laws, regulations, guidelines and provisions governed by the Grant Agreement signed with the World Bank.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 MoF and MoSD in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The Project's financial statements for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on January 17, 2022.

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

Management of MoSD is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in note 2 to the financial statements, 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.

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 MoSD's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

Mazars
(Permit No. 203/2012)



Musa Abu Dieh
(Permit No. 223/1994)

Ramallah, Palestine
June 18, 2023

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BALANCE SHEET
AS AT DECEMBER 31, 2022
(Currency: USD)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>			
Current Assets			
Cash at Bank	3	291,678	455,061
Petty Cash		-	3,425
Receivable from MoF (rejected payment due for refund)	4	-	1,005
Currency Variance		-	(112)
Total Current Assets		<u>291,678</u>	<u>459,379</u>
Total Assets		<u>291,678</u>	<u>459,379</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Fund Balance	9	<u>291,678</u>	<u>459,379</u>
Total Liabilities and Fund Balance		<u>291,678</u>	<u>459,379</u>

The accompanying notes form an integral part of these financial statements

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STATEMENT OF SOURCES AND USES OF FUNDS AND CHANGES IN FUND
BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2022

(Currency: USD)

	<u>Notes</u>	<u>Year Ended December 31, 2022</u>	<u>Year Ended December 31, 2021</u>	<u>Cumulative up to December 31, 2022</u>
FUND BALANCE - BEGINNING OF YEAR		459,379	580,509	-
SOURCES OF FUNDS				
Advance Payment from the World Bank	4	-	-	600,895
Replenishments from the World Bank	4	1,118,711	925,445	8,902,159
Reimbursement	4	-	-	2,845,838
Total Sources of Funds	4	1,118,711	925,445	12,348,892
USES OF FUNDS				
Category 1 - Cash Transfer Program Support		-	-	8,998,807
Category 2 - Goods, Non-Consulting Services, Consulting Services, Operating Costs and Training under Parts 2 and 4 of the Project	5	930,529	499,337	1,765,119
Category 3 - Goods, Non-Consulting Services, Consulting Services, Operating Costs and Training under Part 3 of the Project	6	355,973	547,238	1,293,378
Total Uses of Funds	7	1,286,502	1,046,575	12,057,304
Currency Variance gain		90	-	90
CHANGE IN FUND BALANCE		(167,701)	(121,130)	291,678
FUND BALANCE - END OF YEAR	9	291,678	459,379	291,678

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DESIGNATED BANK ACCOUNT STATEMENT- (USD-MoSD)

FOR THE YEAR ENDED DECEMBER 31, 2022

(Currency: USD)

<i>Account Number</i>	0458/3202341/001/3001/000
<i>Depository Bank</i>	Bank of Palestine
<i>Address</i>	Ramallah
<i>Related Loan / Credit</i>	TF0A5359
<i>Currency</i>	U.S. Dollar (USD)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
BALANCE, BEGINNING OF YEAR		451,875	562,318
Receipts During the Year	4	1,119,587	925,445
		1,119,587	925,445
Deduct:			
Payments for Project Expenditures		1,275,691	1,025,888
Transfer to ILS Bank Account		20,000	10,000
		1,295,691	1,035,888
BALANCE, END OF YEAR	3	275,771	451,875

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DESIGNATED BANK ACCOUNT STATEMENT - (USD- MoF)

FOR THE YEAR ENDED DECEMBER 31, 2022

(Currency: USD)

<i>Account Number</i>	0458/0206777/001/3001/007
<i>Depository Bank</i>	Bank of Palestine
<i>Address</i>	Ramallah
<i>Related Loan / Credit</i>	TF0A5359
<i>Currency</i>	U.S. Dollar (USD)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
BALANCE, BEGINNING OF YEAR		-	-
Deposit by MoF During the Year	4	1,005	-
		-	-
		<u>1,005</u>	<u>-</u>
Deduct:			
Amount Refunded to IDA During the Year	4	896	-
		<u>896</u>	<u>-</u>
BALANCE, END OF YEAR	3	<u>109</u>	<u>-</u>

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DESIGNATED BANK ACCOUNT STATEMENT - (ILS-MoSD)

FOR THE YEAR ENDED DECEMBER 31, 2022

(Currency: USD)

<i>Account Number</i>	0458/3202341/099/3001/000
<i>Depository Bank</i>	Bank of Palestine
<i>Address</i>	Ramallah
<i>Related Loan/ Credit</i>	TF0A5359
<i>Currency</i>	New Israeli Shekel (ILS)

	<u>Note</u>	<u>Equivalent USD</u>	
		<u>2022</u>	<u>2021</u>
BALANCE, BEGINNING OF YEAR		3,186	17,296
Receipts During the Year (from USD account)		20,000	10,000
Cash Deposit (Return of Petty Cash)		1,300	3,319
		21,300	13,319
Deduct:			
Payments for Project Expenditures		8,598	27,171
Currency Variance		90	258
		8,688	27,429
BALANCE, END OF YEAR	3	15,798	3,186

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NOTES TO THE PROJECT FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Currency: USD)

1. *SPEP and Its Financing*

The Palestinian Liberation Organization, for the benefit of the Palestinian Authority, and the International Development Association (the World Bank or/and IDA), acting as administrator of the Trust Fund for Gaza and West Bank, signed Trust Fund Grant Agreement Number TF0A5359 (the Grant Agreement), dated August 15, 2017, whereby IDA made a grant to the Palestinian Authority, in the amount of USD 15,000,000 to finance a project entitled "Social Protection Enhancement Project" (the Project or/and SPEP), managed by the Ministry of Social Development (MoSD). The closing date of SPEP is March 20, 2025.

The objective of the Project is to establish a single targeting and referral system to provide cash benefits and services to poor and vulnerable households. The Project consists of the following parts:

Part 1 - Cash Transfer Program Support

Provision of quarterly Cash Transfers to Beneficiaries selected in accordance with the criteria and procedures set forth in the Operations Manual.

Part 2 - Social Registry

Developing a Social Registry for improved coverage and targeting of social programs, through: (a) provision of financing and technical assistance to MOSD to develop a social registry information system ("Social Registry"), including, inter alia, development of Social Registry operations manual and related information architecture, transition of beneficiary information from the Cash Transfer Program to the Social Registry, setting up the monitoring and evaluation procedures and improvement of the grievance redress mechanism, all in order to support registration and determination of eligibility of potential beneficiaries for social programs; and (b) provision of financing for home visits to eligible households of potential beneficiaries of social programs, inclusion of newly identified eligible households into the Social Registry, identification of households receiving assistance from other donor programs, and distribution of household identification cards for those eligible to enrol into the Social Registry.

Part 3 - Case Management System

Provision of financing and technical assistance to MoSD to develop Case Management System ("CMS") including development of a communications campaign, CMS methodology, provision of training of social workers and supervisors, and supporting development of infrastructure necessary to implement the CMS.

Part 4 - Program Management and Monitoring

Strengthening of MoSD's capacity for Project management, monitoring and evaluation, training, Project audit and Project Operating Costs.

The above parts of the Project and related budget have been allocated to the following categories of eligible expenditures under the Grant Agreement:

Category	Amount of the Grant Allocated (in USD)		Percentage of Expenditure to be Financed
	Original	Revised	
Category 1 - Cash Transfers under Part 1 of the Project	9,000,000	9,000,000	50% of the amounts disbursed by MoSD
Category 2 - Goods, Non-Consulting Services, Consulting Services, Operating Costs and Training under Parts 2 and 4 of the Project	2,400,000	3,200,000	100%
Category 3 - Goods, Non-Consulting Services, Consulting Services, Operating Costs and Training under Part 3 of the Project	3,600,000	2,800,000	100%
	<u>15,000,000</u>	<u>15,000,000</u>	

2. Summary of Significant Accounting Policies

MoSD adopted and applied the following principal accounting policies in preparing the financial statements of SPEP:

2.1 Basis of Accounting - SPEP's financial statements are prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than International Financial Reporting Standards (IFRSs). Under this basis, receipts are recognized when cash provided by the World Bank is received by MoSD and expenditures are recognized when the **cash** payments are made.

2.2 Historical Cost Convention - SPEP's financial statements have been prepared based on the historical cost convention.

2.3 Foreign Currency - SPEP's financial statements are presented in the United States Dollar (USD) which is the basic functional currency of SPEP. 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, if any, were treated as exchange gains or losses in the Statement of Sources and Uses of Funds and Changes in Fund Balance.

3. Cash at Bank

Cash at bank represents cash available in the designated bank accounts of SPEP as of December 31, 2022 and 2021, as follows:

	USD	
	2022	2021
Cash at Bank of Palestine Account No. 0458/3202341/001/3001/000 in USD	275,771	451,875
Cash at Bank of Palestine Account No. 0458/3202341/099/3001/000 in ILS	15,798	3,186
Cash at Bank of Palestine Account No. 0458/0206777/001/3001/007 in USD	109	-
	291,678	455,061

4. Sources of Funds

Sources of funds represent the amounts paid by IDA and received by MoSD into the Project's designated bank account (Bank of Palestine Account No. 0458/3202341/001/3001/000 - USD) during the year 2022, as follows:

Withdrawal Application (WA) #	Value Date	Payment Method/Type			Total Received	Total Sources of Funds
		Advance/ (Recovery)	Replenishment	Reimbursement		
Cumulative up to December 31, 2021		600,895	7,783,448	2,845,838	11,230,181	11,230,181
2022						
14B	January 11, 2022	-	141,516	-	141,516	141,516
15B	April 18, 2022	-	217,365	-	217,365	217,365
16B	August 1, 2022	-	249,024	-	249,024	249,024
Refund to IDA *	January 11, 2022	-	(876)	-	(876)	(876)
17B	October 11, 2022	-	511,682	-	511,682	511,682
Total Receipts During the Year		-	1,118,711	-	1,118,711	1,118,711
Cumulative up to December 31, 2022		600,895	8,902,159	2,845,838	12,348,892	12,348,892

* Represents amount refunded by MoF to IDA to settle the error identified during the year 2020 in the amount of USD 896. To finance this refund, MoF deposited an amount of USD 1,005 into the SPEP's designated bank account and transferred an amount of USD 896 to IDA on January 9, 2022. According to the client connection, the refunded amount was received on January 11, 2022, in the net amount of USD 876.

5. *Category 2 - Goods, Non-Consulting Services, Consulting Services, Operating Costs and Training under Parts 2 and 4 of the Project*

This item represents the following expenses paid under parts 2 and 4 of the Project:

	<u>2022</u>	<u>2021</u>
<u>Part 2 - Social Registry</u>		
Goods	183,093	214,542
Non-Consulting Services	-	-
Consulting Services	103,136	116,469
Operating costs and Training	450,334	993
Sub-total Part 2 - Social Registry	<u>736,563</u>	<u>332,004</u>
<u>Part 4 - Program Management and Monitoring</u>		
Goods	-	-
Non-Consulting Services	-	-
Consulting Services	187,213	159,501
Operating costs and Training	6,753	7,832
Sub-total Part 4 - Program Management and Monitoring	<u>193,966</u>	<u>167,333</u>
Total	<u>930,529</u>	<u>499,337</u>

6. *Category 3 - Goods, Non-Consulting Services, Consulting Services, Operating Costs and Training under Part 3 of the Project*

Represents expenses paid under part 3 of the Project "Case management System" as follows:

	<u>2022</u>	<u>2021</u>
<u>Part 3 - Case Management System</u>		
Goods	160,750	238,356
Non-Consulting Services	-	-
Consulting Services	189,514	288,882
Operating costs and Training	5,709	20,000
Total	<u>355,973</u>	<u>547,238</u>

7. Reconciliation Between Replenishments (Expenditures Replenished by World Bank) and Expenditures Recorded in MoSD Books

Below is a reconciliation between World Bank replenishments and expenses recorded in MoSD books during year 2022 for each category:

Withdrawal Application (WA) #	Payment Method	Category 1	Category 2	Category 3	Total
Cumulative up to December 31, 2021		8,998,807	834,590	937,405	10,770,802
Add: WA# 15B	Replenishment	-	208,157	9,208	217,365
Add: WA# 16B	Replenishment	-	240,811	8,213	249,024
Add: WA# 17B	Replenishment	-	370,086	141,596	511,682
Add: Amount recorded by MoSD but not reported to the World Bank as of December 31, 2022	Payment from designated bank account	-	111,475	196,956	308,431
Total amount disbursed during the year 2022 (Total uses of funds)		-	930,529	355,973	1,286,502
Cumulative disbursed amount up to December 31, 2022		8,998,807	1,765,119	1,293,378	12,057,304

8. Reconciliations Between World Bank (Client Connection) and MoSD Records

Below is a reconciliation between the World Bank records (Client Connection) and MoSD records as at December 31, 2022:

	2022	2021
Project accounts per the client connection		
Advance payment transferred to MoSD	600,020	600,895
Category 1 - Cash Transfer Program Support	8,998,807	8,998,807
Category 2 - Goods, Non-Consulting Services, Consulting Services, Operating Costs and Training under Parts 2 and 4 of the Project	1,653,645	768,653
Category 3 - Goods, Non-Consulting Services, Consulting Services, Operating Costs and Training under Part 3 of the Project	1,096,420	861,826
	12,348,892	11,230,181
Project accounts per MoSD records		
Category 1 - Cash Transfer Program Support	8,998,807	8,998,807
Category 2 - Goods, Non-Consulting Services, Consulting Services, Operating Costs and Training under Parts 2 and 4 of the Project	1,765,119	834,590
Category 3 - Goods, Non-Consulting Services, Consulting Services, Operating Costs and Training under Part 3 of the Project	1,293,378	937,405
Currency Variance	(90)	(112)
Returned amount not yet credit	-	1,005
Cash on Hand at the end of the year	-	3,425
Cash at Bank	291,678	455,061
	12,348,892	11,230,181
Difference	-	-

9. Fund Balance - End of Year

The fund balance as of December 31, 2022 and 2021 represent the following:

	<u>2022</u>	<u>2021</u>
Cash at USD designated bank account	275,771	451,875
Cash at USD designated bank account	109	-
Cash at ILS designated bank account	15,798	3,186
Cash on Hand at the end of the year	-	3,425
Receivable from MoF (rejected payment due for refund)	-	1,005
Currency Variance	-	(112)
	<u><u>291,678</u></u>	<u><u>459,379</u></u>