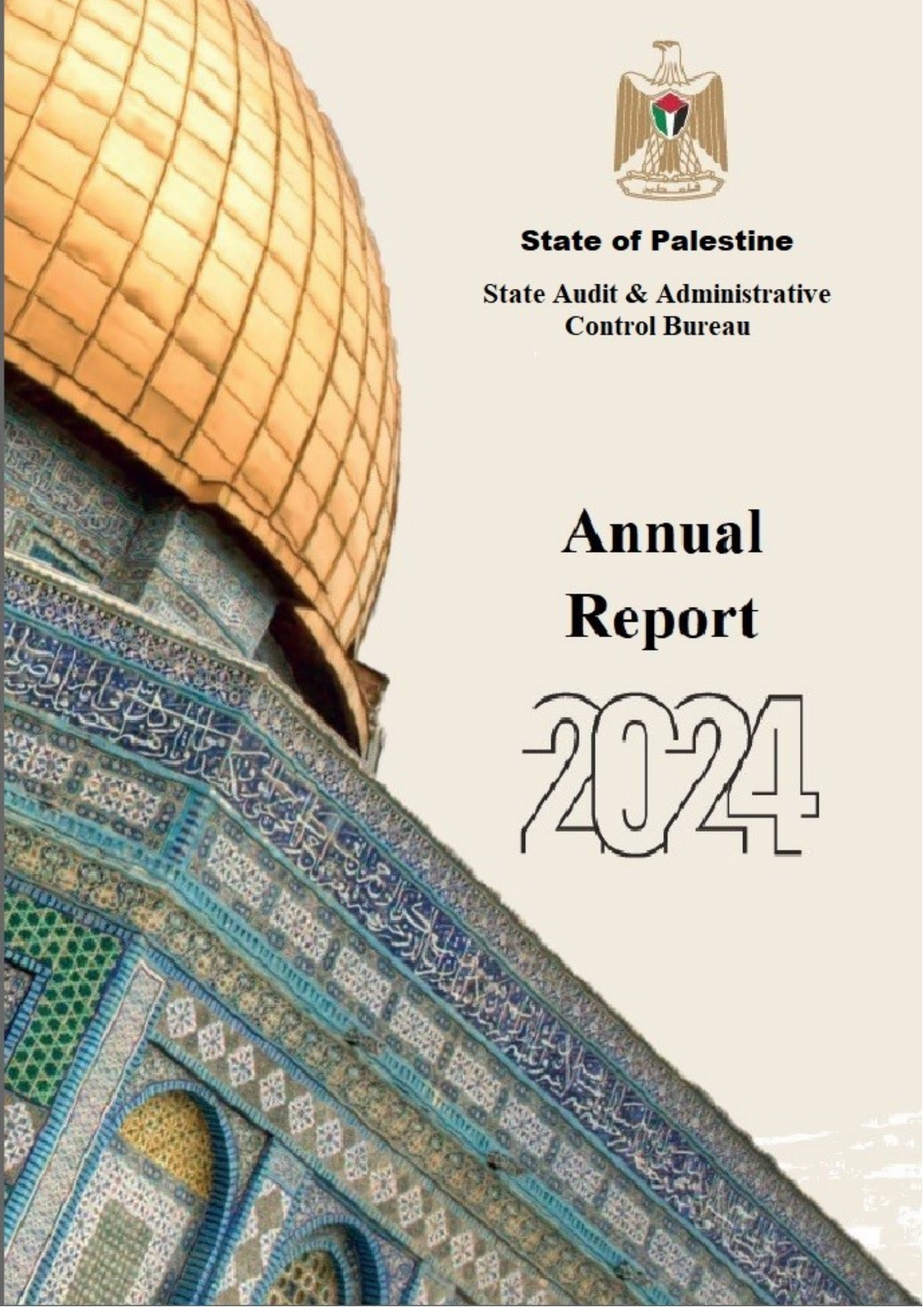


State of Palestine

State Audit & Administrative Control Bureau

Annual Report

2024

State Audit & Administrative Control Bureau

Annual Report for 2024

This report is available at www.saacb.ps
For more information, please contact:
State Audit & Administrative Control Bureau
Palestine, el-Bireh, Al Quds St., near PRCS headquarters
Website: www.saacb.ps
Email: saacb@saacb.ps
Youtube: SAACB ديوان الرقابة المالية والإدارية – فلسطين
saacb.palestine

ndex

H.E. Mr. President Mahmoud Abbas 'Abu Mazen'
President of Palestine
Head of the Executive Committee of Palestine Liberation Organization

Foreword

'We have never left the field'

This is not just a slogan we raised, but facts that we have applied on the ground during 2024 despite all difficulties and challenges the Palestinian people encountered in general. These challenges were even more complicated recently, and took the shape of Israeli incursions of different areas, military checkpoints that divide cities from towns and refugee camps and the tough financial/economic conditions of various Palestinian people groups, including the civil servants, due to Israeli blockade and piracy.

Nevertheless, the Bureau was keen to have its job done efficiently. The staff lived up to their duties, thanks to great determination and loyalty. They reached different audited entities and released reports as per the required method, high level of professionalism and the annual plan set beforehand, out of belief that the developed institutional work and promoted service quality to the Palestinian citizens are national duty that falls on each one of us.

The annual report for 2024 on work and output of the Bureau has been made as per law of the Bureau 15/2004, article (8), and decree law 18/2017 on amendment to law of the Bureau, article (5). It states: '**The auditor general shall present an annual report, or report upon request, on work and observations of the Bureau to head of state, legislative council and council of ministers**'.

Commitment of the Bureau to produce periodic reports on findings of work represents actual guarantee for sustainability of its action. It is also an important indicator that audits can remedy the institutional action and overcome all challenges, in order to increase integrity, transparency, accountability and corruption fighting, and enhance the public and donors' trust in financial and management policies of the State of Palestine.

The Bureau intends to support the government institutions' development, in typical fashion where it operates as per the best international standards, practices and basis, which will help the effective and efficient use of available resources.

Our directions have been drawn and strategic goals have been set in way that overcomes all standing and possible challenges, mainly the audit of sustainable development goals, the emerging disaster and crisis-related issues and quality of service to the public. these issues include health insurance in different sectors, office hours in hospitals, governance of hajj (pilgrimage), zakat (alms) committees, solidarity and relief campaigns, courthouses, budgets and indebtedness of local government entities, electricity companies, public transport management, the use of government vehicles and performance audits to evaluate the economy, effectiveness and efficiency of key government programs. The aim of these audits was having reasonable findings, principally effective and efficient audits, and enhancing the trust in the Bureau as typical institution and the house of experience in the audit field.

The Bureau, with the work of field teams, made 95 audit reports, followed up the recommendations of 50 reports and followed up around 233 complaints and statements filed at the Bureau by different society groups via various communications channels of the Bureau. It

also received 45 audit requests from several entities, and referred 3 reports that involve corruption suspicions to the Anti-Corruption Commission. The Bureau kept providing technical and professional assistance in accounting, audit and legal fields in the audited entities, and reinforcing their internal control systems. Besides, the Bureau has been providing guidance and advice in organizational and management processes, expressing unbiased professional opinion about soundness of conduct and legality of agreements, considering the draft laws and regulations and circulating the audit awareness and the preserving culture for public funds and the nation's capabilities in society.

The growing interest from the executive arm and civil society organizations in reports of the Bureau that make a difference to lives of citizens means huge duty on the Bureau. This duty takes the form of strengthening the accountability, transparency and integrity in audited entities, expanding the practicing of performance audit to ensure the audited entities are providing service on basis of economy, efficiency and effectiveness, so the Bureau would then become an example the state agencies follow.

Directions of the Palestinian leadership stated the enhancing of sovereignty and gaining international recognition for the State of Palestine and rights of the Palestinian people, by joining international organizations and raising the status of Palestine in international arenas, and reinforcing the local effort. In line with these directions, the Bureau has been able to secure a prestigious position among the supreme audit institutions, by complying with advanced action methods that agree with the best international practices and standards. This has enhanced the international trust in reports of the Bureau, made room to participate in policy making of the international audit organizations, and hold significant role in their action, besides building and supporting the capacity of staff and developing the technical and academic experience.

Mr. Prime Minister has asserted that reform is not only a slogan to raise, but also a practical method that we follow every day on national basis and requirements. Accordingly, the Bureau had clear influence in supporting the national reform program, which focuses on institutional performance improvement, downsizing of spending and more efficient service to citizens. These procedures have actually started to pay off, starting with reduction of expenditures, and merge (or even cancellation) of some entities to have more efficiency. Other entities had their governance and transparency of employment enhanced, especially for senior positions, by looking carefully into audit reports in order to develop respective action plans.

Thus, the Bureau presents this report to Mr. President of State and council of ministers, with hope that it will help highlight the shortcomings and weak spots in audited entities, and take suitable action to address the observations and promote institutional performance, which helps public funds preserving.

Based on the above, staff of the Bureau made special effort into the making of this report as per the best international practices. The Bureau welcomes meaningful observations and opinion that help promote the quality of reporting, and circulate/develop the audit culture in the Palestinian organizations and society.

As per the powers vested into me by law, it is my honor and pleasure to present the annual report for 2024, which is a new and special audit output from the Bureau, and an achievement that deserves monitoring and guidance. I hope it will enable decision makers in the Palestinian institutions to give reports and output of the Bureau the necessary attention, follow the recommendations and take necessary remedial measures. The aim is to control spending, and ensure that these entities are fulfilling the goals of establishment efficiently, effectively and

economically, in addition to enhancing the compliance with effective legislations and policies for improved institutional action.

In the end, I would like to extend appreciation to H.E. Mr. President and Mr. Prime Minister for continuous support to the Bureau, and keenness to see it undertake its duties efficiently and effectively. This was evident by approving the amendments to law of the Bureau in 2024, which grant financial and management independence. I would also like to thank all staff members of the Bureau for the relentless effort they made in order to have the goals and future aspirations of the Bureau fulfilled. Their belief, professional commitment and continuous effort meant that making this report was possible. Appreciation to audited entities for giving great attention to observations of the Bureau, and making the necessary adjustments into their action, based on content of audit reports and recommendations follow-up reports.

Sincerely yours,

Amal Faraj
Auditor General
State Audit & Administrative Control Bureau

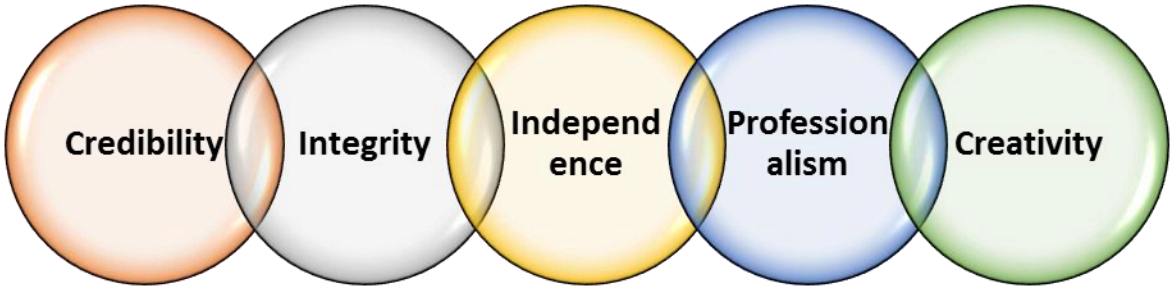
Vision

Typical institution that helps making a difference to lives of citizens

Mission

Effective audit over resources & services to ensure soundness of financial & management performance of audited entities, & present professional reports & opinion to stakeholders

Core Values:



The Bureau is a constitutional entity established as per the Basic Law, article (96). Law of the Bureau 15/2004 regulates its actions.

The Bureau intends to ensure sound and stable financial and administrative action of Palestine National Authority with its arms (executive, legislative, judiciary). It also intends to disclose all aspects of financial and administrative violations, including misuse of public office, and ensure that public performance is in agreement with and within limits of provisions of effective laws, regulations, decisions and instructions, and that it is carried out optimally and cost-effectively.

Audited entities, as per law, include:

- Mr. President office (with its institutions),
- Prime minister,
- Ministers (and similar positions)
- Legislative Council (offices and departments included),
- Judiciary and public prosecution
- Ministries and state agencies,
- Security forces and the police,
- All security/military agencies,
- Independent public entities established or regulated as per provisions of effective legislations,
- Charitable and cooperative societies,
- Civil society organizations,
- Unions, parties and non-profit companies,

- Federations and associations,
- Government and public high education institutions,
- Institutions and companies owned, shared or supported by the state or donor states,
- Institutions and companies licensed to use or manage public facility,
- Local government entities,
- Grassroots committees,
- Service committees (and similar entities),

Financial, administrative or technical independence of any of the above shall not stop the Bureau from undertaking the audit mandate.

Decree 5/2017 on PLO institutions, embassies, representative offices and diplomatic missions being audited as per provisions of SAACB law has also required PLO institutions, embassies, representative offices and all diplomatic missions to comply with provisions and amendments of law 15/2004.

General summary of the annual report, 2024

The Bureau has set directions and identified strategic goals in way that responds to all present and possible challenges, mainly the Sustainable Development Goals, emerging issues regarding disasters and crisis and quality of service to the public. Selection standards for the different audits were also identified, such as relative importance, budget size, date of previous audit, legal requirements, applications filed by stakeholders/public opinion, importance/impact of action and complaints.

The Bureau releases the annual report this year in compliance with annual and strategic plans, emphasizing its important part in supporting the accountability, transparency and integrity of the public sector in the State of Palestine, and improving the public service quality that positively affects the lives of citizens. **The Bureau also follows ISSAI 20 in order to develop action this year, which indicates responsibility of the Bureau to adopt objective and transparent audit standards, operations and methodologies, and provision of effective process to follow up the recommendations. The intention is to ensure the audited entities are properly handling the observations and recommendations, and to publish the audit conclusions and recommendations for public viewing**.

Accordingly, the report addresses key observations in reports the Bureau released in 2024. Sectors include economy, social and cultural services, infrastructure, governance and security, local government and non-government organizations. Although the audit scope is wide and topics in the report and various, the influence of content calls for **assurance that audited entities are properly handling observations and recommendations of the Bureau**.

The annual report for 2024 contains three chapters that cover different audit fields, which include:

- **Chapter I**: data and statistics of reports and processed complaints in 2024
- **Chapter II**: summaries of audit reports by audit sector
- **Chapter III**: action and achievements of departments and unit (complaints follow-up, consulting, institutional building, capacity building, relations with stakeholders, resources of the Bureau)

The Bureau issued **95 audit reports** across 2024, distributed by sector as follows:

- Economy: **6**
- Governance and security: **11**
- Social and cultural services: **18**
- NGOs: **10**
- Infrastructure: **21**
- Performance audit: **14**
- Local government: **15**

The Bureau issued 50 recommendations follow-up reports in 2024, distributed by sector as follows:

- Local government: 25
- Economy: 4
- Governance and security: 7
- Social and cultural services: 3
- NGOs: 5
- Infrastructure: 2
- Performance audit: 2
- Legal affairs: 2

Responding to recommendations scored 63%.
The Bureau received **378** complaints and statements during 2024, whereupon **233** reports were released in 2024 and the remaining (**145**) is being followed up. The Bureau took into account the generality and service provided in total reports and the audit of service provided, in order to achieve goals that it had taken upon itself, in agreement with international audit standards.
The Bureau responded within limits of its powers with all requests received from Anti Corruption Commission (37), council of ministers (3), ministries and public entities (4) and local government entities (one), at **45** requests in total in 2024. Forty request have been processed and the remaining are in progress in 2025. Additionally, **three** reports that involve corruption suspicions were referred to Anti Corruption Commission during 2024.
The Bureau appreciates the cooperation from many audited entities to enforce findings reached in everything that would achieve the public good. Most of entities audited during 2024 responded to reports of the Bureau and expressed commitment to enforce recommendations, in addition to follow-up of many findings that need more effort for improvement and development. Percentage of commitment to respond to reports of the Bureau reached **87%**. **Eighty-three** audited entities responded to audit reports released. **Sixty-four** entities (**67%**) responded within legal term, and **19** entities (**20%**) responded after legal term elapsed. **Ten** entities (**11%**) did not respond to reports, in addition to **2** reports (**2%**) that do not need responding to.
Significant misstatements and observations were taken from audit report that have been released in 2024, which include general violations against law, insufficient regulation and public funds wasting in audited entities. Key audit findings by audit sectors are as follows:

1. Economy sector

With special importance of the state's financial statements report (general budget), periodically published online, it is one of the important reports that must draw the attention from stakeholders and the public, in order to enhance capacity of the Bureau to measure it influence on **efficiency and effectiveness of audit reports in public sector, and value added of audits**.
The Bureau evaluated the going concern basis of accounting, status of cash liquidity and arrears from the pirated clearance funds, besides the fact that all of the Palestinian people' financial rights were not transferred since 2021 final quarter as at the audit date. Thus, there is a challenge as per standards regarding the going concern basis and reality of accounting in light of the piracy and withholding of the Palestinian funds. Total public debt as at 2023 fiscal year end reached –according to Ministry of Finance reports- 13,638,320,000 NIS, and 14,747,120,000 NIS according to February 2025 report published on the Ministry's website. Therefore, the Bureau **draws attention** to the fact that the unrestricted and available cash for use is not enough to pay monthly salaries in case the clearance funds transfer block by the Israelis continues, without resorting to borrowing from banks. Hence, we emphasize that cash liquidity at the Ministry (restricted, unrestricted) is not sufficient (627 million NIS) as at December 31st, 2023. Average cash flows of net payroll bill reached 641 million NIS off the monthly payroll bill that reaches 764 million NIS
Reports of Bureau on '**Management of road transport trusts by stakeholders**' reflects the gaps that could be avoided to improve the management of funds recording and distribution. Funds of trusts are one of the important financing sources for wide variety local government entities, which ensure sustainability of service to the public in

their geographical scope. Findings of the Bureau about the **inventory of General Petroleum Authority's warehouses revealed** continuing differences (losses) in the amounts of gasoline and diesel, which increased in 2023 over 2022.

2. Governance sector (civil, security)

Audits in **governance sector** targeted many subjects, such as **the management of donations collection and redistribution by governor offices**, in order to enhance the public trust due to great sensitivity of this topic. The attention to gap bridging is of great importance in order to fulfill the audit goals. The Bureau also audited the **staff who are positioned abroad, and trusts held at the Supreme Judge Department**, with action taken by the latter to respond to recommendations of the Bureau. The Bureau indicated the risk of the **Palestinian Maintenance Fund** being unable to fulfill obligations, which affects service sustainability to beneficiaries due to the increasing value of accounts payable and receivable.

3. Social & cultural services sector

The **government health insurance** is one of the most important reports of the Bureau this year, due to wide influence on medical service to the beneficiary citizens, with direct influence on principles of equality and justice between citizens.

Office hours of medical and education staff (doctors, nurses, teachers) also received attention of the Bureau, which affects the public trust in the existing Palestinian government plan to reform the public sector, especially that the office hours in health and education sectors directly affect the government service.

Due to recurring observations of the Bureau about hajj (pilgrimage), reached by acting as an observer, the Bureau is appreciating all action the present Palestinian government took this year in order to respond to reports of the Bureau. The latter appreciates what the government did regarding the **re-governance of hajj**, which was evident in **quality of service, reduced cost and wider participation of citizens who apply with lottery**.

The Bureau also released a report about how the **zakat (alms) committees manage the funds** they hold, in order to ensure they fulfill the goals of establishment. The reports included an evaluation of financial and management situation in the committees of Nablus and Hebron, and recommended an expanded audit in the future to include all committees, due to the increased relative importance in light of existing conditions the citizens are witnessing.

4. Infrastructure sector

The Bureau kept auditing the **electricity and water sectors** due to financial size and the influence of service provided on lives of citizens. The present government formed committees to address the basic problems in these sectors, in order to ensure the ability to sustain the service, especially with increased debts on companies and the high future risks of being unable to provide the service.

The Bureau audited the **government vehicles use**, as some staff in ministries and public entities used them after office hours, despite the clear regulations and decisions taken to regulate the use of vehicles in civil sector. However, considerable weakness in the compliance with these regulations and decisions has been noticed, which led to continuing violations and failure to meet the goals of these regulations.

5. Local government sector

The Bureau kept auditing a sample of municipalities and village councils, with focus on the budgets making and executing in local government entities. The increasing debts on local government entities to Ministry of Finance has also been mentioned, in addition to the increasing debts on citizens to municipalities.The evaluation of joint service councils' desired goals achievement was also brought up.

6. NGOs sector

In conjunction with audits of the NGOs audit department at audited entities, it had an **important report about the allocation of government land for the benefit of housing cooperatives**. The report highlighted the lack of sufficient approved procedures at stakeholders in order to ensure that allocations agree with conditions stated in legislations. The report indicated the lack of approved and well-thought that could be used to determine the space and location of government land to be allocated, especially in presence of beneficiaries of some allocation projects outside the target groups of allocation decisions.

The Bureau indicated it did not receive sufficient assurance about the sustainability of **Palestine Bar Association's** funds (pension, health insurance, fellowship, cooperation). Council of the Bar did not take decisions against the lawyers who are not actually practicing (1839), who in turn are using all of the benefits that funds provide, like any other practicing lawyer.

It was also found that the Palestinian Red Crescent Society with its centers are greatly depending on foreign support to cover expenditures, which poses actual risk against the capacity to manage works and sustain service provision in case the foreign support stopped.

7. Performance audit

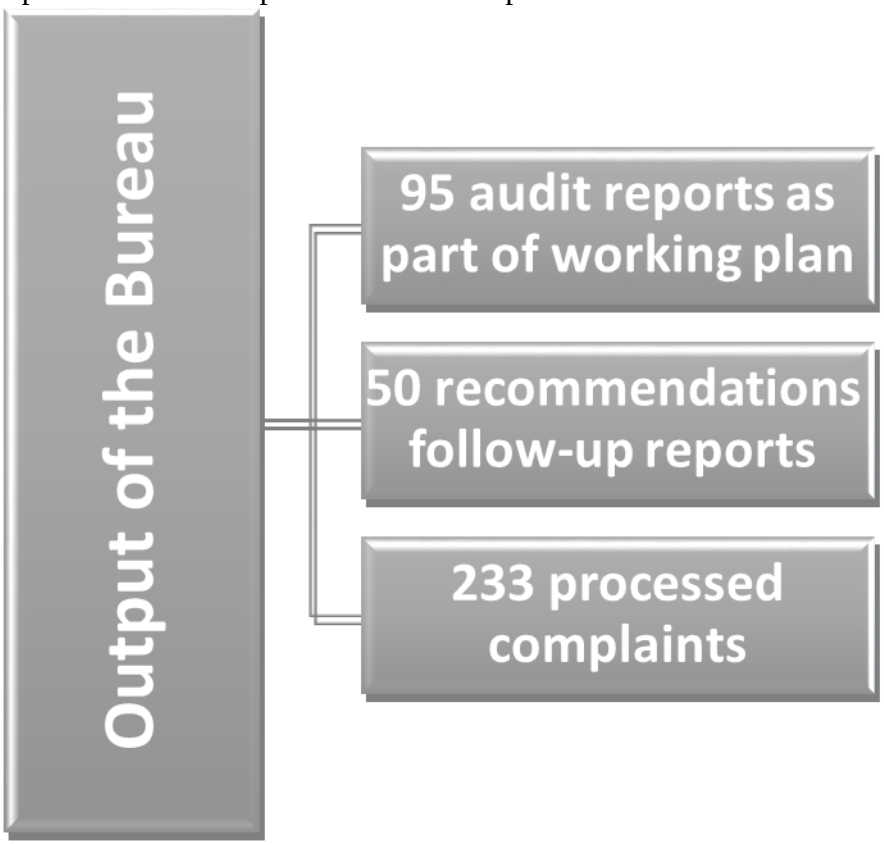
In performance audit, annual report of this year includes audit findings about the **management of medications and laboratories** in government hospitals, the **private hospitals**, reduction of **untreated wastewater** and the reduction of **violence against women**.

The most important subject is the **control and regulation of goods prices and specifications**. This particular one involved many improvement opportunities for the management of goods control in the Palestinian market, besides recommendations of the Bureau to the government to pay close attention to enhanced control of markets, and have a unified institutions named 'food and medicine administration', which combines all effort intending to control all goods with all different names.

Statistics on Audit Reports

Reports released by the Bureau, 2024

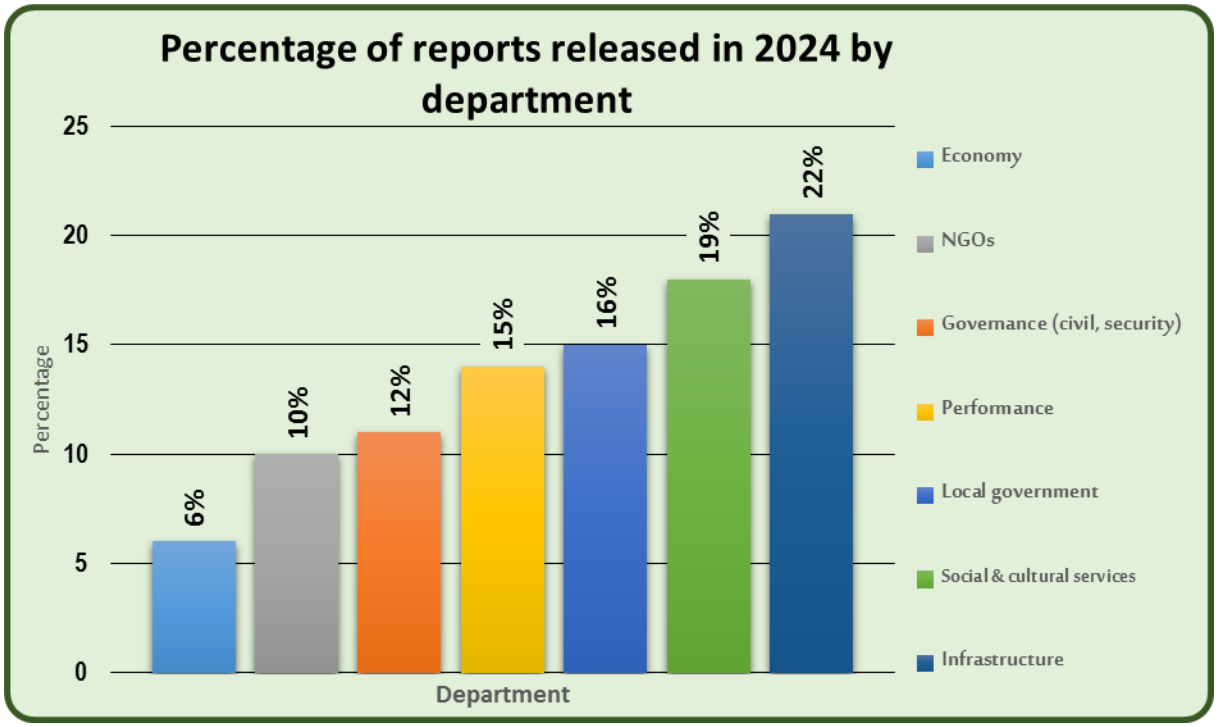
The Bureau released 95 audit reports in 2024 as part of working plan and 50 recommendations follow-up reports. The Bureau processed 233 complaints distributed as follows:



Audit reports released in 2024 by sector

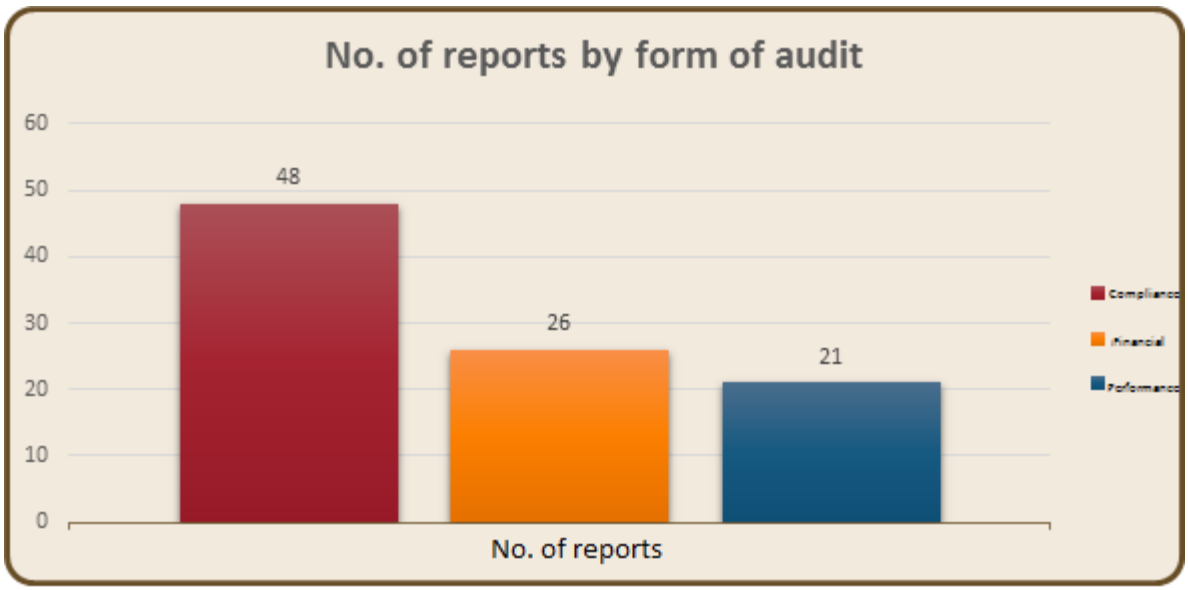
The Bureau released 95 audit reports in 2024 as part of working plan of that year, distributed by sector as follows:

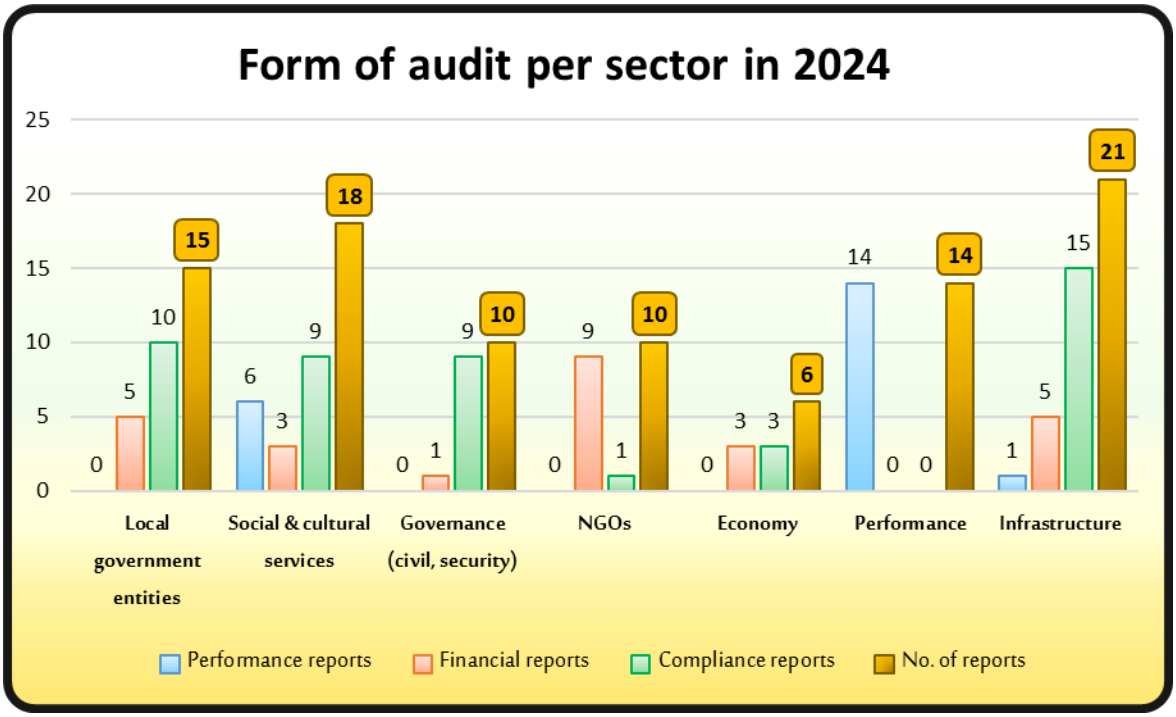
	Department	No. of reports	Percentage
1	Infrastructure	21	22%
2	Social & cultural services	18	19%
3	Local government	15	16%
4	Performance	14	15%
5	Governance (civil, security)	11	12%
6	NGOs	10	11%
7	Economy	6	6%
Total		95	100%



Audit reports released in 2024 by audit topic

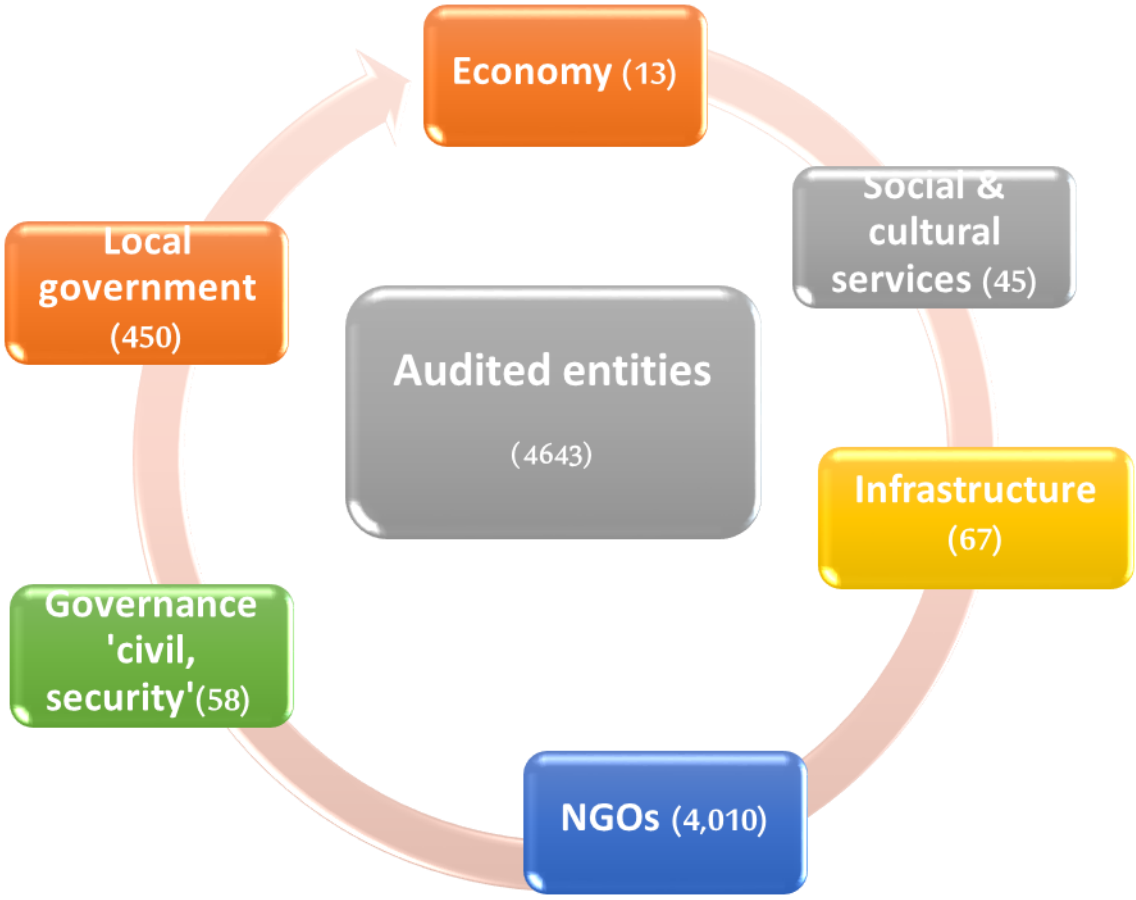
The Bureau carries out three forms of audit (compliance, financial, performance), where audits done in 2024 by audit topic as part of working plan reached 95 (48 compliance, 26 financial, 21 performance).





Number of audited entities by sector

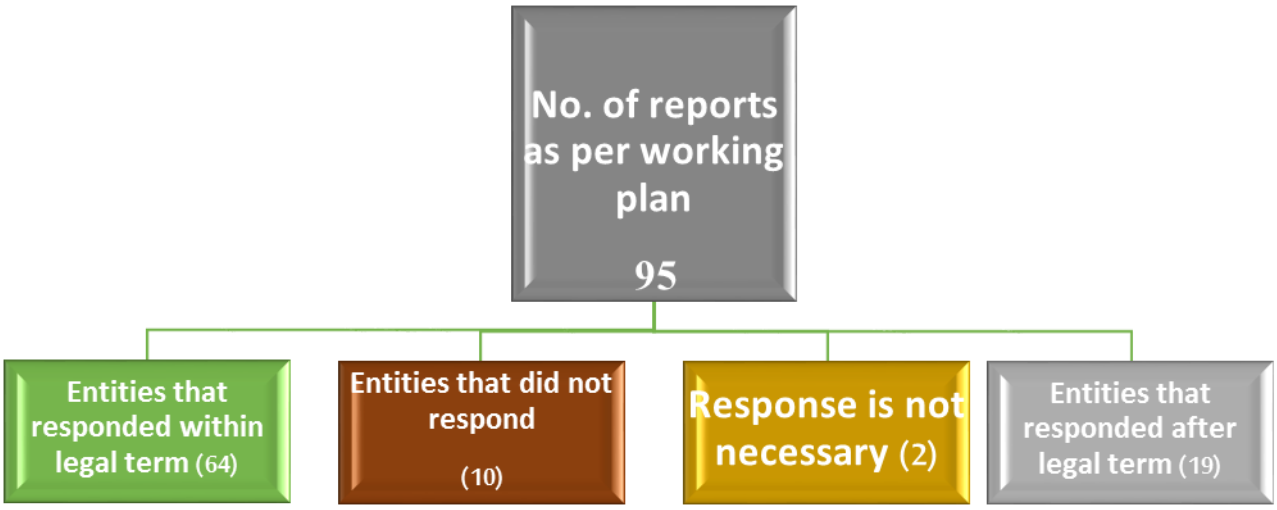
The entities audited by the Bureau are divided into various sectors, where each department includes a specific sector. The number of these entities exceeds four thousand, broken down as follows:

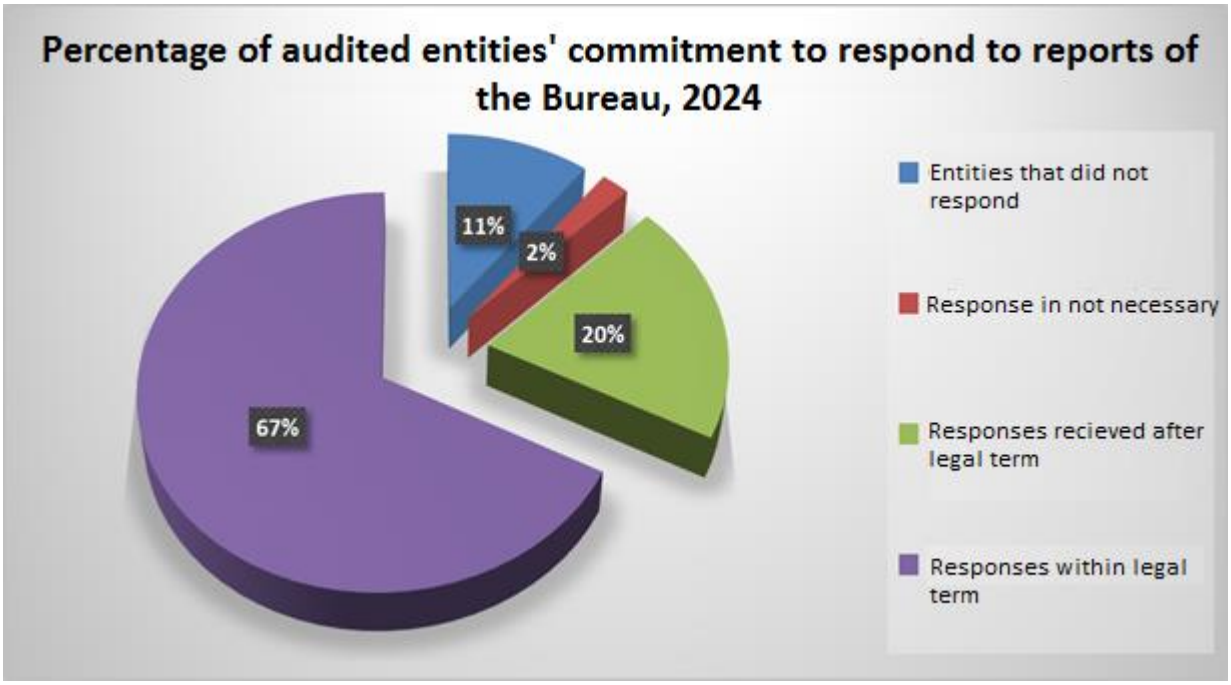


Commitments of audited entities to respond to reports of the Bureau

After the release of audit reports in preliminary form to audited entities, one month is given to respond to observations contained in preliminary reports as per law provisions of the Bureau. When responses are presented, reports are released in final form. Thus, percentage of commitment to respond to audit reports was high, out of belief that audited entities should observe provisions of law. Findings are as follows:

Department	No. of reports	No. of responses within legal term	No. of responses after legal term expiry	No. of responses that do not need responses	No. of responses that do not have responses from audited entities
Local government entities	15	9	2	0	**4**
Social & cultural services	18	15	1	0	**2**
Governance (civil, security)	11	9	1	0	**1**
NGOs	10	5	4	0	**1**
Economy	6	5	0	1	**0**
Performance	14	12	1	0	**1**
Infrastructure	21	9	10	1	**1**
Total	95	64	19	2	**10**
Percentage	100%	67%	20%	2%	**11%**

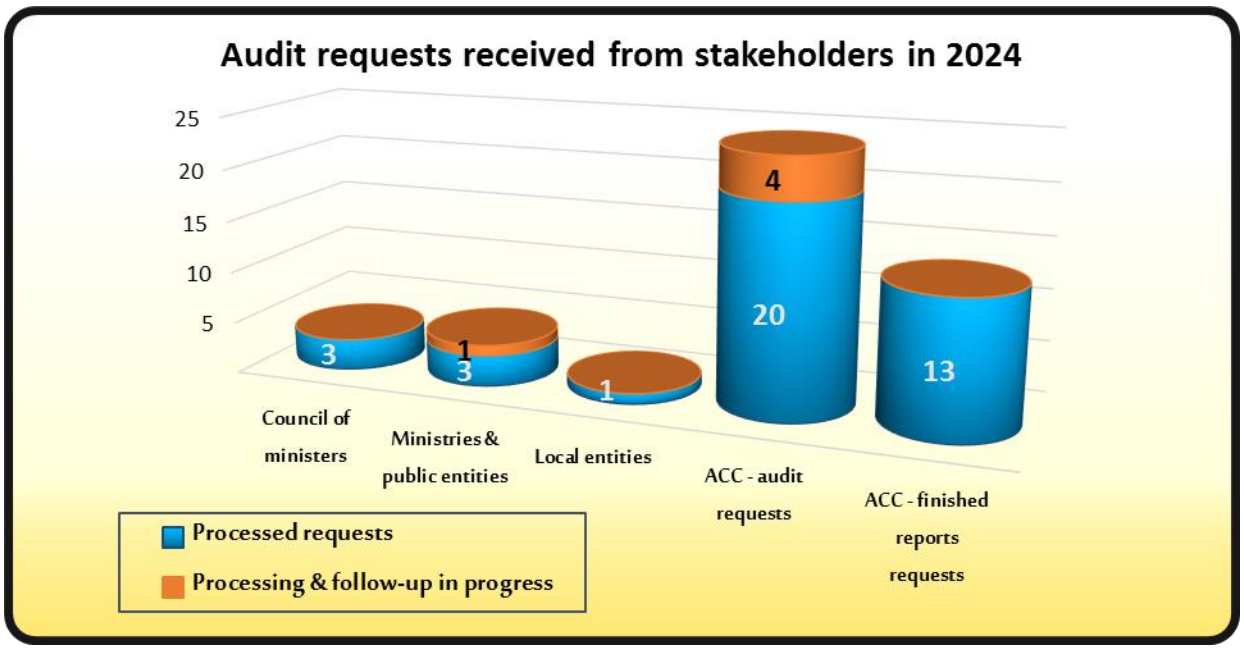



Percentage of audited entities' commitment to respond to reports of the Bureau, 2024
11%
2%
20%
67%
Entities that did not respond
Response in not necessary
Responses recieved after legal term
Responses within legal term

Audit requests to the Bureau

The Bureau responded to requests received according to powers vested, where it received 45 requests in 2024, processed 40 requests (the remaining were being processed in 2024) and 3 reports that involve corruptions suspicions were referred to the Anti-Corruption Commission during 2024, as shown in table below:

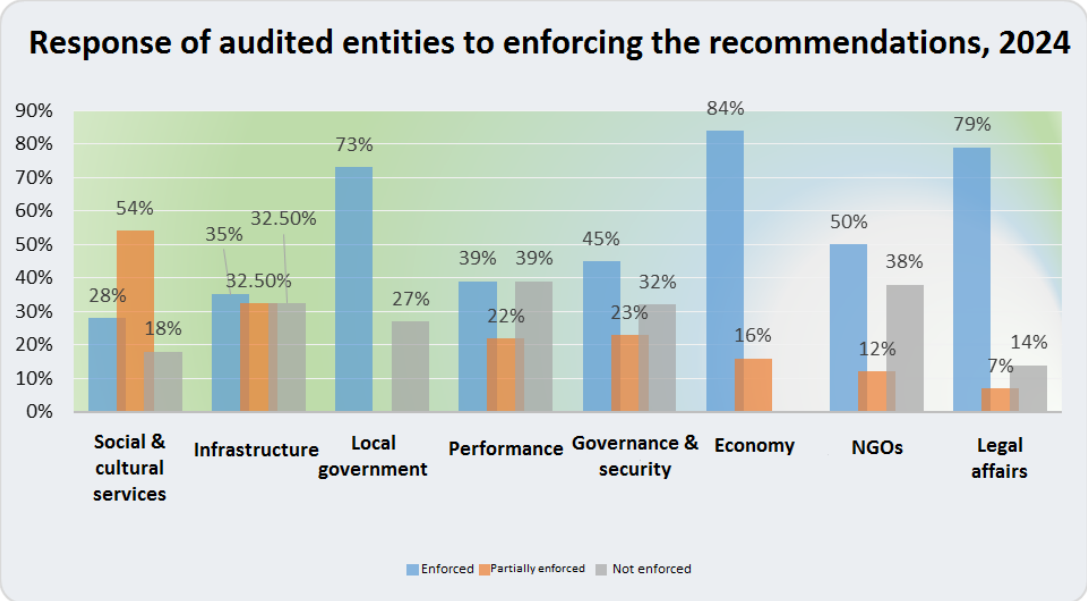
Entity	Received requests	Processed requests	Request being processed & followed up
Council of ministers	3	3	-
Ministries & public entities	4	3	1
Local government entities	1	1	-
Anti Corruption Commission, audit requests	24	20	4
Anti-Corruption Commission, requests for finished reports	13	13	0
Total	**45**	**40**	**5**

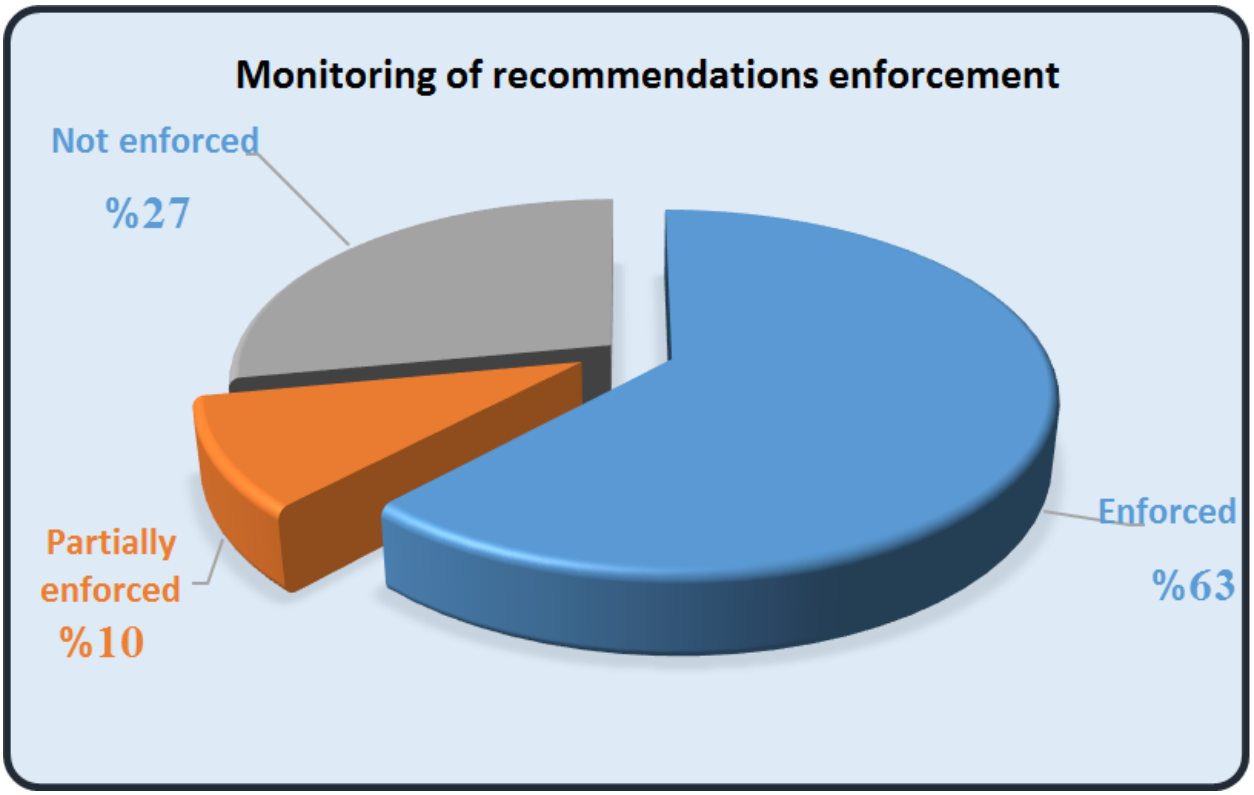


Response of audited entities to enforcement of recommendations of the Bureau

In 2024, The Bureau followed up the enforcement of recommendations for previous years by audited entities in 50 entities. Percentage of response was 63%, as shown in table below:

Department	Processed	Partially processed	Were not processed	Total
Social & cultural services	24	46	16	85
	28%	66%	6%	100%
Infrastructure	12	11	11	34
	35%	32.5%	32.5%	100%
Local government	480	-	174	654
	73%	-	27%	100%
Performance	7	4	7	18
	39%	22%	39%	100%
Governance & security	34	17	24	75
	45%	23%	32%	100%
Economy	21	4	-	25
	84%	16%	-	100%
NGOs	79	19	60	158
	50%	13%	38%	100%
Legal affairs	11	1	2	14
	79%	7%	14%	100%
Total	**668**	**102**	**293**	**1063**
Percentage	**63%**	**10%**	**27%**	**100%**

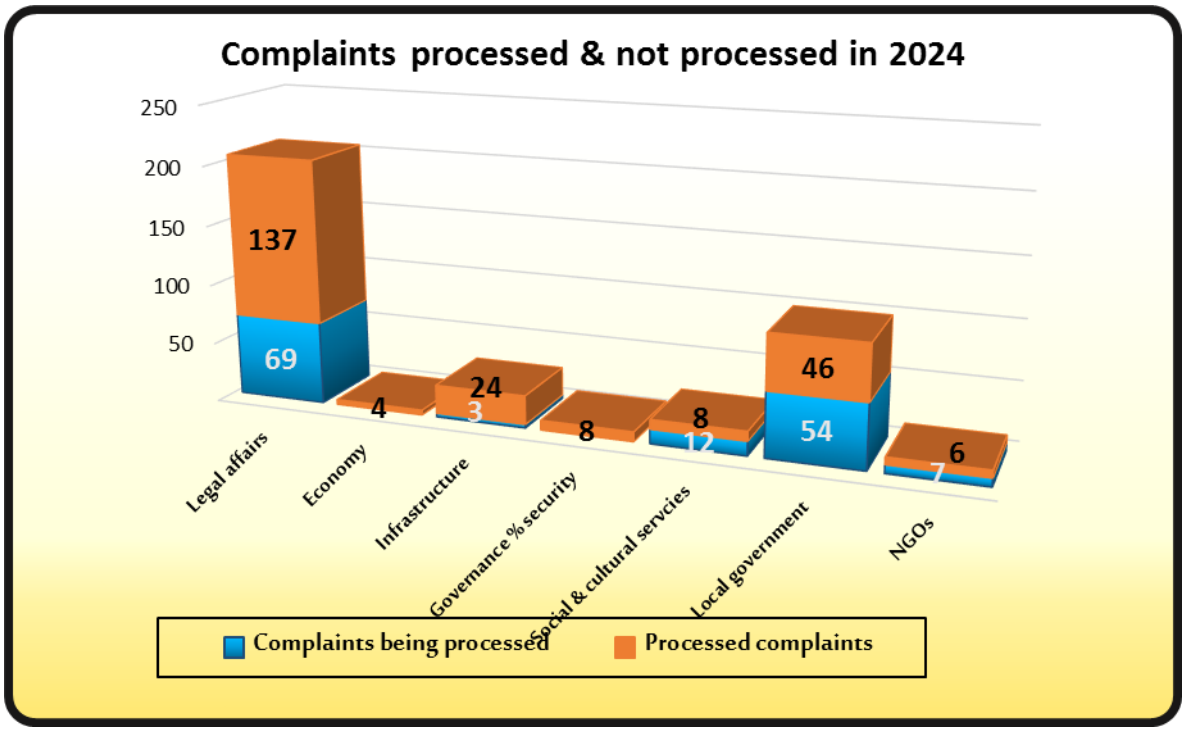



Monitoring of recommendations enforcement
Not enforced
%27
Partially enforced
%10
Enforced
%63

Complaints received

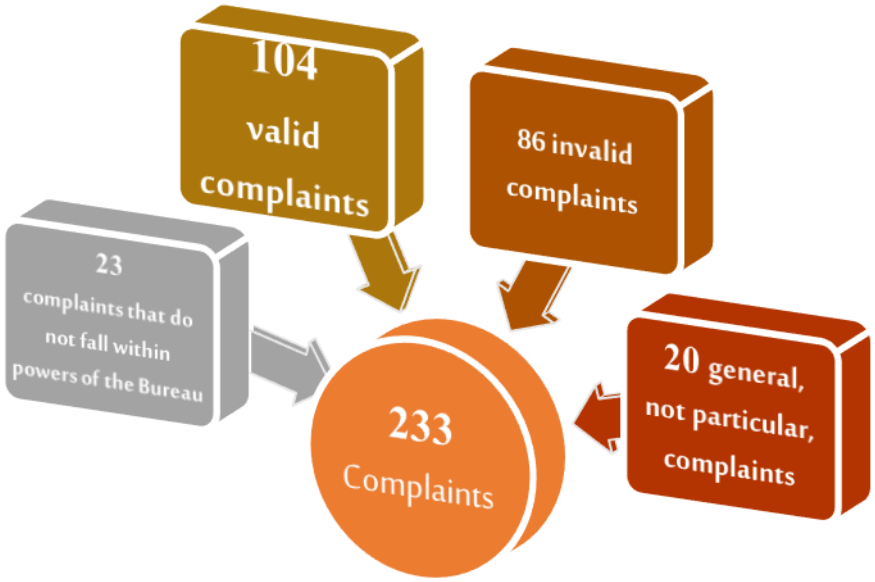
The Bureau received 378 complaints in 2024, 233 of which were processed as at 31.12.2024, of which 137 (59%) were processed by legal affairs department. The remaining departments (41% of processed complaints) processed 96 complaints. Table below shows the complaints that each department processed in 2024:

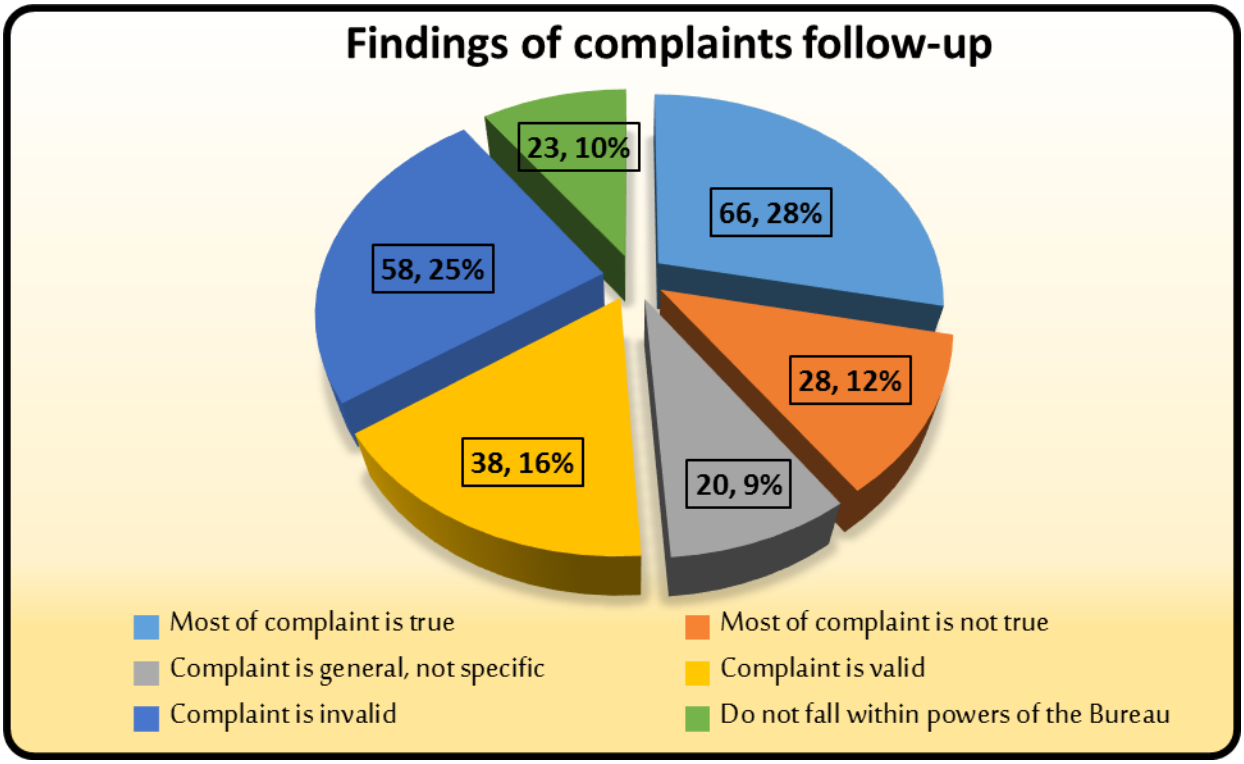
Department	Processed complaints	Complaints being processed	Total complaints	Percentage of processed complaints	Percentage of unprocessed complaints
Legal affairs	137	69	206	67%	**33%**
Economy	4	0	4	100%	**0%**
Infrastructure	24	3	27	89%	**11%**
Governance & security	8	0	8	100%	**0%**
Social & cultural services	8	12	20	40%	**60%**
Local government	46	54	100	46%	**54%**
NGOs	6	7	13	46%	**54%**
Total	**233**	**145**	**378**	**62%**	**38%**



Findings of complaints follow-up

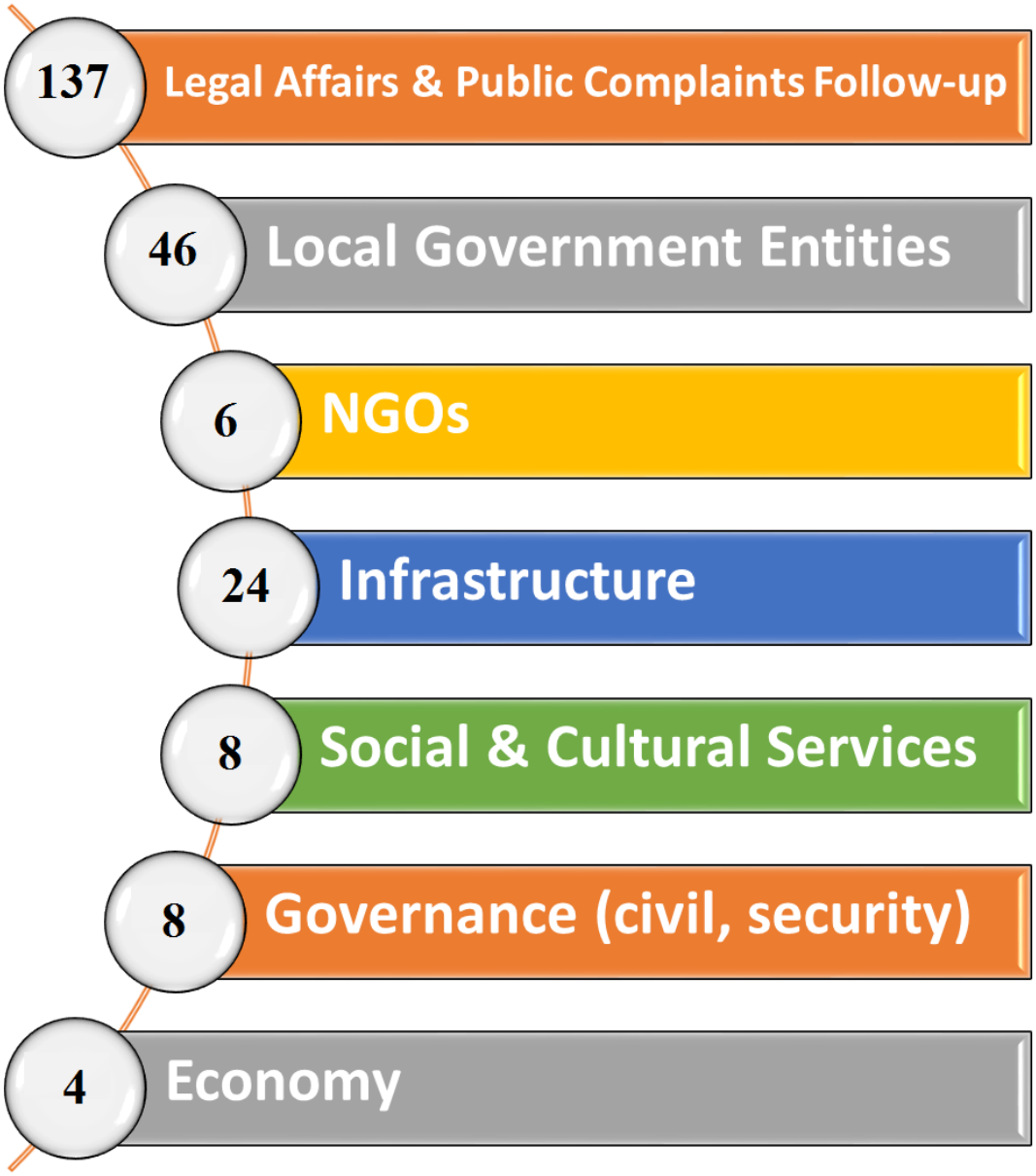
Follow up findings of processed complaints by validity were as follows:





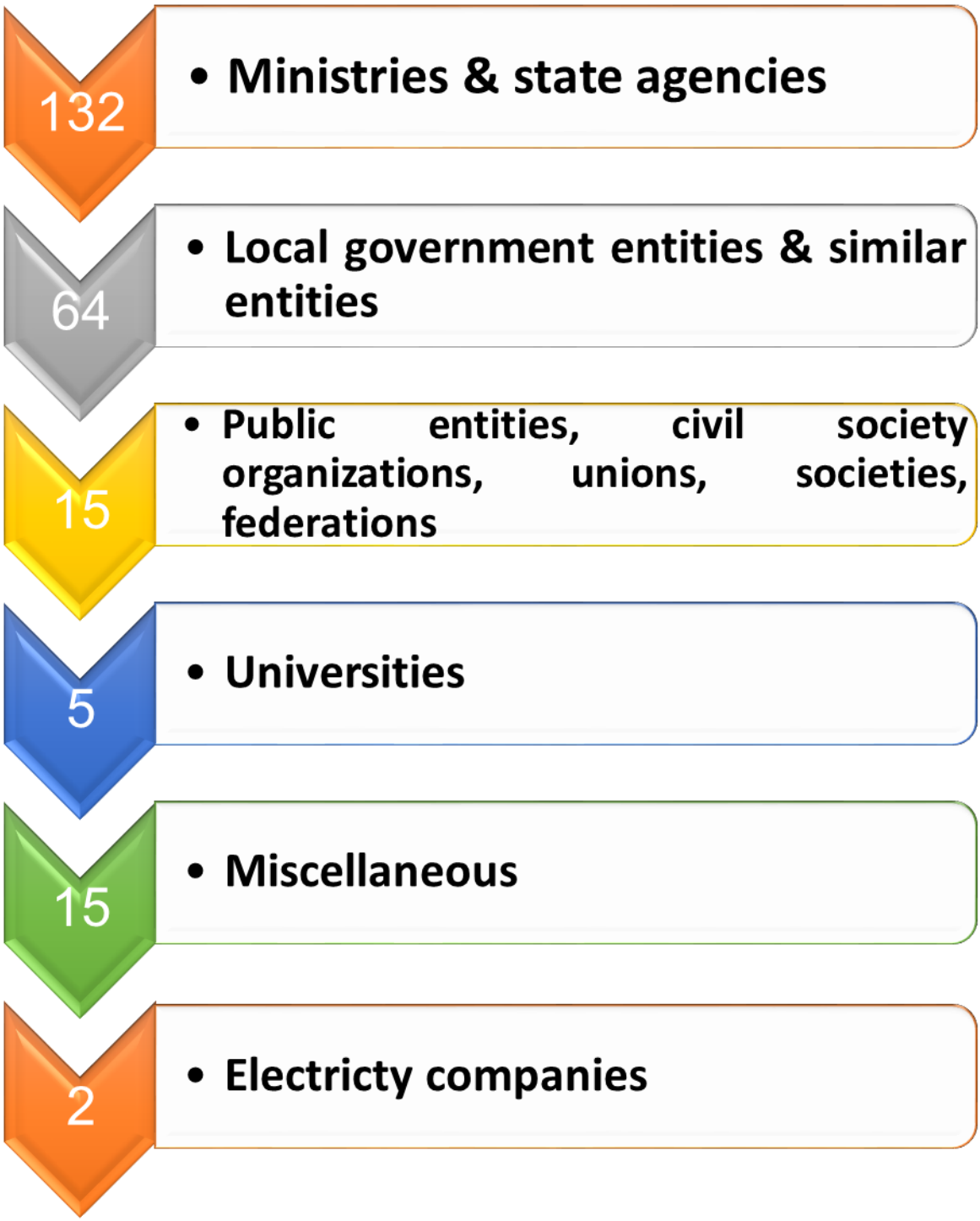
Distribution of processed complaints in 2024 by sector

Below is distribution of processed complaints by sector (of audited entities) and respective departments of the Bureau:



Total	**233**

Distribution of processed complaints in 2024 by the party against which complaints were filed



Total	**233**

Distribution of processed complaints in 2024 by complainant

Summaries of audit reports by audit departments & sectors

I. Economy Audit Department

	Report	
1	Opinion expressed on Financial Statements of 2023	
2	An-Najah National University Hospital Co., financial statements	
3	Road transport trusts	
4	Inventory of the General Petroleum Authority warehouses, 2023	
5	The public finance management improvement project ‘World Bank financed’ (PFMIP PH II)	
6	Civil servants benefiting from PEGASE grant ‘European Union financed’	

1. Report of Opinion Expressed on Aggregate Financial Statements of the State of Palestine for fiscal year ended Dec 31st, 2023 With Comparison Figures of fiscal year 2022 issued by Ministry of Finance on 24.03.2025

We have audited the financial statements of the State of Palestine for 2023, which comprise the '**consolidated statements of cash payments and receipts of the State of Palestine**', '**accounting policies and Notes**' and '**comparison figures between budget amounts and actual amounts**', for the year ended Dec 31st, 2023.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements of 2023 present fairly, in all material respects, the '**consolidated statements of cash payments and receipts of the State of Palestine**' and '**comparison figures between budget amounts and actual amounts**' for the year ended Dec 31st, 2023. They also present the '**Notes of these financial statements and summary of significant accounting policies**', in accordance with the International Public Sector Accounting Standards, cash basis (**IPSAS**).

Basis for qualified opinion

We conducted our audit in accordance with ISSAIs, where they require compliance with appropriate professional conduct, planning and audit to obtain reasonable assurance whether the financial statements of the State of Palestine for fiscal year ended Dec 31st, 2023 are free of significant misstatements.

- Our responsibility in SAACB, as an entity independent from audited entities, according to provisions and amendments of law of the Bureau 15/2004, and according to ethical requirements (ISSAI 130 - **INTOSAI code of conduct**) that are relevant to our audit of the financial statements, clarified in the '**Auditor's Responsibility**' paragraph in our report. We have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide basis for our qualified opinion. These qualifications are attached to this report.

Emphasis of Matter paragraph

Summary of significant accounting policies, entities of report (Notes 1.6 'changes from the original to final budgets – budget institutions' & 1.7 'PNA institutions not included in the report')

SAACB emphasizes that these consolidated statement of cash payments and receipts and the statement of comparison with the State of Palestine budget of year 2023 include entities of the report, which are stated in provisions and amendments of law 7/1998 on budgeting and financial affairs, in addition to decree law 13/2023 on the general budget of 2023. This includes all government entities mentioned in the general budget laws of this year.

There are entities seen by law as independent from budget sector, but not included in the State of Palestine budget book. Their accounting processes are outside the integrated financial system 'IFMIS', where the financial statements report does not include them. These entities are:

- Palestine Investment Fund (PIF),
- Palestine Monetary Authority (PMA),
- Palestine Capital Market Authority (PCMA),
- Palestinian Pensions Agency (PPA),

Entities above are independently responsible, by virtue of legal status, for preparation of their financial statements. Ministry of Finance (MoF) is not responsible for these statements.

Emphasis of Matter paragraph

Summary of significant accounting policies, netting

In Note (1.8-c) on significant accounting policies, MoF disclosed the main causes of netting with private sector companies, as below:

'The lack of cash and financial resources made some third parties, specifically private sector companies (hospitals, insurance companies, etc.) and financial and service corporations that provide Palestine National Authority (PNA) with goods, services, medicines and loans, carry out netting for some of their due taxes (income tax, value added tax) off total liabilities on PNA'.

Emphasis of Matter paragraph

Summary of significant accounting policies, in-kind grants

In Note (1.24), the accounting policy followed to present in-kind grants is disclosing part of which. This has been evaluated as per the Palestinian customs declarations only, so SAACB emphasizes that the adoption of an incomplete disclosure policy led to SAACB qualification to in-kind grants, as indicated in the '*Basis of qualified opinion*' paragraph.

Emphasis of Matter paragraph

Development expenditures budget (original budget & final budget) in the 'Budget vs. actual comparison statement'

SAACB emphasizes what MoF indicated in aggregate financial statements of 2023, Note (23.3) about the difference between the original budget and the final budget of the development expenditures item. '**Regarding the description of difference in development expenditures between the original budget and the final budget: the process used for development projects is entering the values of development projects as per need. Not all budget items of development projects are entered at year start (e.g.: running expenditures), but the budget is added according to the ready-to-be-paid vouchers and similar ones. Besides, there are many projects, whether subsidies from the treasury or donors, are added during the year, so this difference occurs but processed at year end**'.

Therefore, the development budget item is different from other budget expenditure items (operational, capital, transfer). The reason why the original budget is different from the final budget is restricted to reallocations made between budget items and/or adding a supplemental budget to items of these expenditures.

Emphasis of Matter paragraph

Summary of significant accounting policies, clearance deductions (Note 1.8-b)

MoF disclosed 925,143,398 NIS that have been illegally deducted from detainees' salaries. Almost 550,000,000 NIS for Gaza Strip have been illegally deducted from total clearance in fiscal year 2023.

Emphasis of Matter paragraph

Summary of significant accounting policies, payments directly made by third parties to suppliers (Note 1.10)

MoF disclosed receipts and payments through third parties 'which the government is benefiting from goods and services procured on their behalf in exchange for advance payments from a third party during the reporting period. These advance payments do not constitute cash receipts or payments to the government, but the government is benefiting therefrom'.

Value of payments that third parties are making to suppliers, which are part of the conditional and indirect 'development grants', reached 328 million NIS in fiscal year 2023.

Notes above in the 'Other matters' paragraph are not the reason for our qualifications.

Other matters

SAACB draws users' attention to the following matters:

MoF has evaluated the accounting going concern assumption, cash status and accumulative arrears from deducting clearance funds illegally and not transferring all financial rights of the Palestinian people since 2021 final quarter until the date of audit. Thus, there is an evident challenge –as per standards- regarding the accounting going concern assumption and reality in light of the Palestinian funds being withheld. Total public debt, according to MoF reports, reached 13,638,329.000 NIS as at end of fiscal year 2023, and increased to reach 14,747,120.000 NIS according to February 2025 report published on MoF website.

Thus, SAACB **draws attention** to the fact that the unrestricted and available cash for use is not enough to pay monthly salaries in case the clearance funds transfer block by the Israelis continues, without resorting to borrowing from banks. Hence, we emphasize that the restricted and available for use cash at MoF is not sufficient (627 million NIS) as at December 31st, 2023. Average cash flows of net payroll bill reached 641 million NIS off the monthly payroll bill that reaches 764 million NIS.

The war that Israel is launching against Gaza Strip (started October 7th, 2023) and continuous restrictions against the West Bank led to a decline in all sectors, which affected revenues of the government. The Israeli government did not transfer the complete clearance funds to MoF, which decreased salaries paid to public servants, and made the government borrow from banks to pay part of public servants and the private sector dues. The financial crisis the government is facing is still deepening as at the preparation date this report.

- Balance of the fiscal year 2023 has been issued 27.03.2023 and approved 29.03.2023 by virtue of decree law 13/2023 on the general budget of fiscal year 2023, and was published in the official gazette 'The Palestinian Gazette' Issue No. 201 on April 30th, 2023, and the decree law 26/2023 as an annex to decree law 13/2023 on the general budget of fiscal year 2023, approved 06.09.2023 and published in the official gazette Issue No. 206 on September 25th, 2023.
- The financial statements issued by MoF for the fiscal year 2023 on 24.03.2025 had its budget law prepared and enforced by the eighteenth government. The preparation and approval of the financial statements for the fiscal year 2023 has been done by MoF of the nineteenth government, which has Dr. Mohammed Mustafa as prime minister and H.E. Mr. Omar Bitar as the new minister of finance. This government was sworn in before H.E. Mr. President of Palestine Mahmoud Abbas on March 31st, 2024, whereas the eighteenth government presented resignation letter to Mr. President on February 26th, 2024.
- MoF issued financial statements of the fiscal year 2023 on August 8th, 2024 as initial (draft) financial statements. Some adjustments have been made to accounting records based on audit observations from SAACB in management letter issued on January 23rd, 2025. The financial statements of the fiscal year 2023 and comparison year 2022 have been approved March 24th, 2025.
- MoF presented the financial statements to SAACB within less than one year, as per SAACB law 15/2004, article (34) that sets the time to present the financial statements by MoF at 'one year'. It states: 'on the basis of preliminary accounts prepared as per article 33, MoF shall prepare and present the draft financial statements within one year from end of the fiscal year, and shall submit relevant comments to the Legislative Council'.

- The permitted period (6 months from the reporting date) to make the consolidated aggregate financial statements of the State of Palestine for fiscal years 2022 available, stated in IPSAS (1.4.4), has been exceeded. It states: '**The usefulness of the financial statements are impaired if they are not made available to users within a reasonable period after the reporting date. An entity should be in a position to issue its financial statements within six months of the reporting date, although a timeframe of no more than three months is strongly encouraged. Ongoing factors such as the complexity of an entity's operations are not sufficient reason for failing to report on a timely basis. Deadlines addressed by legislations and regulations in many jurisdictions**'.

- SAACB emphasizes the limited financial resources and lack of cash in government of the State of Palestine. We draw attention to the fact that the lack of resources and cash affects capacity of the government to fulfill its financial duties and responsibilities. **Thus, and based on financial statements issued by MoF, we draw users' attention to some of the following indicators**:

- ❖ Total borrowing from banks increased in the year 2022 compared to the fiscal year of 2023 (%92 increase) compared to the fiscal year of 2022. Amount of total borrowing reached 2,443,763.000 NIS in the fiscal year of 2023, whereas it was 1,274,078.000 NIS in the fiscal year of 2022 (SAACB expressed qualifications to value of the disclosed borrowing balances).
- ❖ Value of amounts deducted from clearance increased in the fiscal year 2023 compared to previous fiscal year.
- ❖ The payrolls bill of the fiscal year 2023: MoF did not fully pay the payrolls and semi-payrolls during 2023. MoF started paying a percentage of the monthly payrolls, where the crisis is still standing as at the date of this report.

- The accounting policy followed by MoF (disclose fuel excise and value added tax on fuel procurement from Israeli supplying companies) involves recognizing the amounts received from the fuel excise and VAT on fuel and gas procurements as clearance revenues. The General Petroleum Authority (GPA) paid these amounts to supplying companies, where 98.5% of which is refunded as part of clearance revenues. However, the 'revenues collected through clearance' definition does not apply thereto. GPA procurement of fuel and gas, excise and VAT included, cost the treasury great amounts due to borrowing from banks to pay the supplying companies, and exhausts liquidity at the treasury. The Israelis deduct 1.5% off excise and VAT as collection fees, despite that MoF recognizes action findings of GPA (payments to procurement and receipts of sales) on net cash flows to GPA. Table below shows amount of excise and VAT on (total) fuel and gas procurement, and value of amount deducted as collection fees at 1.5% by the Israelis:

Amounts in NIS

Item	2023
Fuel procurement excise (**2023**)	3,699,032,606
VAT of fuel and gas procurement (**2023**)	1,261,653,996
Amount deducted by Israelis from excise and VAT to fuel and gas procurement (1.5%)	75,543,450
Interest expenditures incurred by GPA due to borrowing from banks and foundations	68,494,438

- All details of qualifications mentioned in our report are explained in detail in the management letter that has been sent on January 23rd, 2025 to MoF. The latter, as well as different line entities, were given the legal term to respond. SAACB received their response to the observations on March 24th, 2025, and the line entities were written to, each as per respective observations, in the management letter. Responses were documented in the final management letter issued by SAACB, in addition to non-significant observations and other regulatory matters

that did not appear in qualifications mentioned in this report, as they did not affect fairness of financial statements.
- MoF is responsible for other information, which include all information stated in MoF reports (except for financial statements and SAACB audit report).
Our opinion about financial statements does not include other information, and we do not express any confirmatory conclusion thereto.
Notes above in the 'Other matters' paragraph are not the reason for our qualifications.

Other legislative matters paragraph:

- New line entities (Ministry of Planning & International Cooperation, Ministry of Industry, Department of State for Aid Affairs, Palestinian Employment Fund, the National Printing Press, Telecommunications Sector Regulatory Commission, The Palestinian National Library) have been added to the general budget of fiscal year 2024.
- The number of line entities have dropped in the budget of fiscal year 2025. Some of line entities were merged with others or cancelled altogether, such as Ministry of High Education & Academic Research, Risk Mitigation Fund, Deputy Prime Minister Office, Ministry of Information, Ministry of Entrepreneurship & Empowerment and Istiqlal Bank for Development & Investment. New line entities have been introduced, such as the Palestinian Industrial Estates & Free Zones (PIEFZA).
- The General Border Crossings Commission has been instated and made part of Ministry of Interior to replace the General Administration for Border Crossings. The new entity has own budget as part of the Ministry of Interior's, as per Mr. President's decree 1/2025 on 16.03.2025, which amends decree 16/2006 on regulations for the General Administration for Border Crossings.
- Decree law 4/2025 with amendments on the Palestinian National Economic Empowerment Institution was out on 25.01.2025, which amends decree law 1/2019. Article (8) of this decree states: 'all laws, decrees, regulations and programs regarding financial support by official institutions to target groups stated in article (4) of the original law shall be cancelled, including all provisions regarding the financial support or job recommendations stated in the detainees' support law 14/2004 and the detainees and ex-detainees law 19/2004 with amendments'. Any and all laws, regulations, policies and programs regarding payments to martyrs and the injured should be cancelled, including the provisions that state payments for detainment or death.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were the most significant in our audit of financial statements as at Dec 31st, 2023. These matters were considered in the context of our audit of financial statements as a whole, and in the context of expressing our opinion thereto. We did not provide a separate opinion on those matters. We have identified key matters shown in table below in addition to qualifications referred to in the 'Basis of qualified opinion' paragraph:

Key audit matters	Audit procedures
Accounting policies followed to prepare the financial statements	Evaluate the accounting policies disclosed and used to prepare the financial statements of 2023, and MoF compliance within the IPSAS framework. The accounting policies and financial statements framework are the basis to prepare financial statements, where disclosure helps users understand the financial statements.
Disclosure level of financial	By identifying the users or the expected users of these financial statements,

statements in order to provide the minimum level of necessary financial statements	identifying the financial statements they need and validating the necessary disclosure level that meets their requirements or expectations (in light of lack of laws and regulations to set the disclosure level of financial statements that have been prepared)
Overdraft balances	As referred to in Note (10.a) on bank withdraws and limits of debit facilities disclosed in financial statements of the State of Palestine, the value of bank withdraws (payments) during the fiscal year 2023 reached 527,170,000 NIS, which represents cash payments. The overdraft balances are one of the key audit matters due to their high risk, which is associated with item nature (cash), besides high cost incurred and balanced in the overdraft accounts, which include the bank interest. **Audit procedures we carried out included:** − Obtain confirmations and bank statements regarding overdraft accounts. − Determine the accounts recorded in books regarding overdraft, match and analyze book balances with bank confirmations and determine and analyze differences. − Review agreements signed with banks, and check that there are not differences between the agreements and what has been done in the accounting software. − Check that MoF complies with the public debt law and any other relevant regulatory decisions. − Recalculate the interest accrued on overdraft accounts by banks during fiscal year 2023, and validate calculation and recording in books. − Validate the disclosure of accounts in financial statements of fiscal year 2023 for the overdraft balances and bank withdrawals made during the year. − Validate the disclosure of accounts in financial statements of fiscal year 2023 for the interest calculated regarding overdraft, and any other interest regarding public debt. A qualification has been expressed to the public debt statements, disclosed in financial statements issued by MoF for the year 2023.
Bank reconciliations	**Audit procedures we carried out included:** − Obtain confirmations and bank statements regarding bank accounts of the State of Palestine. − Match book balances with bank statement balances, determine and analyze differences and book and bank reconcile items. − Validate the accounting records and reconciliation balances in IFMIS. − Select an audit sample to undertake significant examination, and validate the bank reconciliations preparation and the compliance with the applicable Palestinian financial regulations. − Check the compliance of MoF and line ministries with the applicable Palestinian financial regulations. − Validate the cash balance disclosure in financial statements of the fiscal year 2023 issued by MoF, in terms of book balances match with financial statements that have been disclosed. − Validate the cash balance disclosed in financial statements of the year 2023, **taking into account a qualification was expressed to the cash (restricted and available for use), disclosed in financial statements of the fiscal year 2023 issued by MoF**.
Lending and re-lending in	**Audit procedures we carried out included:** - Obtain confirmations from local entities (municipalities, village councils) regarding their water, electricity and wastewater indebtedness. - Understand how to record opening balances and indebtedness of lending. - Understand how electricity lending process works and environment of entities operating in the field and their interrelations and procedures, and compare statements they provide regarding electricity and lending. - Understand billing and recording process at West Bank Water Department (WBWD), and how to communicate and coordinate with MoF regarding the records of water lending on receivables.

financial statements.	- Review effective laws, council of ministers decisions and instructions regarding lending. - Review budget book for the fiscal year 2023 regarding net lending, and validate that they have been enforced and complied with. - Review and understand the netting process regarding water and electricity lending. - Review some agreements signed between MoF and stakeholders, regarding lending, re-lending, respective accounting records and how indebtedness to government is recorded. - Review lending accounts, references (receivables) and how to use and record in receivables. - Review adjusting entries made to lending accounts, receivables and accounting guidelines. - Review the classification of transactions as part of the Note and their disclosure. **A qualification has been expressed to the opening balances as part of the trial balance and transactions during the fiscal year 2023, as appear in the 'Basis of qualified opinion' paragraph regarding Note (15).**
Payrolls	We focused on this matter as payroll payments form the biggest percentage of total expenditures from the government's annual budget. **Audit procedures we carried out included:** − Check the data reallocation process from Oracle into IFMIS. − Check classification validity of payroll-related expenditures in Note (13), as defined and identified in laws. − Check the completion of amounts paid and presented in Note (13) on payrolls. − Review presentation and disclosure process of net value of payroll, as well as statements disclosed (discounts, bonuses, salaries) based on legal references of spending. − Perform analysis necessary to obtain indicators about significant changes in value of accounts and transactions to these accounts regarding payrolls. − Match the amount paid from banks for payrolls recorded as 'due for payment from banks' with what has been disclosed as net payrolls in Note (13). − Check control systems over software used to set monthly payroll vouchering process.

Responsibility of MoF for financial statements

MoF is responsible for the preparation and fair presentation of the financial statements of the State of Palestine is according to IPSAS Cash Basis for financial reporting. The responsibility includes setting an effective internal control system to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. Responsibility includes selecting and following appropriate accounting policies, and making reasonable accounting estimates according to conditions.

SAACB responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the fiscal year 2023 as a whole 'accompanying final accounts' are in general free from material misstatements, whether due to fraud or error, and to issue an audit report that contains the opinion regarding audited financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs 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 decisions of users taken on the basis of these financial statements.

Regarding reports issued by MoF, with exception of what has been audited by us, we do not have confirmation on whether they are free of any significant misstatements.
As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout all audit aspects. 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.
- Review the 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by MoF.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and if the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
We communicate regarding other matters, including the planned scope and timing of the audit and significant audit findings, and any significant deficiencies in internal control that we identify during our audit.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of 2023, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit findings regarding compliance of line entities mentioned in general budget law with laws, regulations and instructions of financial management:

As part of our financial audit, we point out a limited assurance about the compliance of line ministries mentioned stated in general budget law with laws, regulations and instructions of financial management that govern their action, such as –but not limited to-:
- Budgeting and financial affairs law 7/1998 and amendments.
- Decree law 13/2023 on general budget of 2023.
- Public debt law 24/2005.
- Financial regulations of ministries and public entities.
- Decree law 8/2014 on public procurement, with regulations.
- Civil service law 4/1998, with amendments and executive regulations.
- Service law for the Palestinian security forces 8/2005 with amendments.
- Diplomatic corps law 13/2005.
- Judiciary law 1/2002 with amendments.
- Rewards and salaries of PLC members, ministers and governors law 11/2004 with amendments.
- Detainees and ex-detainees law 19/2004 with amendments.
- General pension law 7/2005 with amendments.

- Civil pension law of 1959 with amendments.
- Insurance and pension law 8/1964 with amendments.
- Insurance and pension law for the Palestinian security forces 16/2004 with amendments.
- Decree law 8/2011 and amendments on income tax with respective instructions.
- The tax on domestic production law 16/1985.
- Road traffic law 5/2000 with amendments.
- Government health insurance regulations 113/2004 with amendments.
- Land registering ordinance of 1953 with amendments.
- Regular court fees law 1/2003.
- Decree law 42/2021 regarding companies.
- Any other relevant laws, regulations and instructions.

With exception to we have not audited, the conclusion of our audit depends on ISSAI-4000 on the audit of compliance of line ministries stated in general budget with effective laws and regulations.

We obtained limited assurance through our audit of financial statements as described above, and respective control procedures. We do not have a judgment as to compliance thereto. Audit findings about compliance accompany our report, which have been communicated to Ministry of Finance and line entities therein.

Qualifications of SAACB to financial statements for the fiscal year 2023

- **Qualifications regarding the budget for the fiscal year 2023:**

  Total general budget of the State of Palestine reached 21 billion NIS for the fiscal years 2023, according to what MoF disclosed in the financial statements.

  Based on audit findings evaluation, which are based on audit evidence obtained regarding the Note on general budget in financial statements of the fiscal year 2023; SAACB expresses qualifications to the Note above due to the following reasons:

  1. The fuel subsidies item at 507 million NIS was not disclosed in a separate item in the other current expenditures, whereas the fuel subsidies account was disclosed as part of the customs and excise refunds at 502,001,833 NIS, contrary to the general budget law for the fiscal year 2023. The entire value of the fuel subsidies account (630,501,833 NIS) was not also disclosed in Note (14) on expenditures other than wages in the receipts and payments statement for the fiscal year 2023. An amount of 502,001,833 NIS was disclosed as part of customs and excise refunds in Note (18), along with 128,500,000 NIS as part of arrears financing, fuel subsidies account in Note (21) for the fiscal year 2023. The fuel subsidies allocation has been included in the budget of the fiscal year 2023, and does not have an allocation in previous years, which means no arrears account for the fuel subsidies account.
  2. Value of development budget for some account item of some line entities was not entered into IFMIS. The budget is entered as project numbers, contrary to the general budget law for the fiscal year 2023, which states the list of programs and expenditures by item. Value of current budget for some account item of some line entities was not also entered into IFMIS for the fiscal year 2023.
  3. Spending in some programs exceeded what is approved in the general budget law of 2023 at total value of 112,093,952 NIS, contrary to the decree law 9/2023 on the general budget of 2023, article (9.2). It states: ‘Expenditures or advances for which no allocations have been appropriated thereto in this decree law shall not be paid.

Amounts that exceed allocations in this decree law shall not be obliged with'. Table below shows the violations value in the fiscal year 2023:

(Amounts are in NIS)

Account No.	Account name	Budget	Expenditures	Value of violation
211	Salaries & wages	696,872,834	745,968,754	(49,090,920)
212	Social contributions	42,020,381	45,620,078	(3,599,697)
225	Transport allowance	92,466,618	100,371,922	(7,905,304)
242	Loan interest & internal commissions	399,782,117	435,446,263	(35,664,146)
271	Social security benefits	1,370,000,000	1,380,396,603	(10,396,603)
272	Social contributions benefits	257,000,000	261,306,790	(4,306,790)
282	Current	66,602,169	67,732,660	(1,130,491)
Total		**2,924,744,118**	**3,036,843,070**	**(112,093,952)**

1. The **Final Budget** was overstated (understated) for some of the items disclosed in the 'budget vs. actual' comparison statement for 2023, as below:

Amounts (NIS) Final budget of fiscal year 2023				
Item	**Name of item**	**Amount in the budget segmentation report**	**Disclosed amount**	**Overstated (understated) difference**
211	Salaries & wages	8,679,547,930	9,533,940,000	854,392,070
221,222,223,224,225,226	Operational expenditures	2,748,663,375	2,748,700,000	36,625
212,242,251,263,271,272,282	Development expenditures	5,044,865,327	4,013,000,000	(1,031,865,327)
311,312,314	Capital expenditures	249,289,205	249,000,000	(289,205)
113,114,123,124	Arrears	3,131,825,970	1,750,000,000	(1,381,825,970)
Starts at 122+ 121	Development financing	2,352,396,999	2,366,000,000	13,603,001

2. The **Actual Implementing** was overstated (understated) for some of the items disclosed in the 'budget vs. actual' comparison statement for 2023, as below:

Amounts (NIS) actual amounts (actual implementing) of the fiscal year 2023				
Item	**Name of item**	**Amount in the budget segmentation report**	**Disclosed amount**	**Overstated (understated) difference**
211	Salaries & wages	8,330,935,372	9,167,379,370	836,443,998
221,222,223,224,225,226	Operational expenditures	1,143,485,599	1,139,396,606	(4,088,993)
212,242,251,263,271,272,282	Development expenditures	4,572,105,783	2,921,252,027	(1,650,853,756)
311,312,314	Capital expenditures	11,401,833	14,649,209	3,247,376
113,114,123,124	Arrears	1,873,510,586	1,868,105,859	(5,404,727)
Starts at 122+ 121	Development financing	783,607,040	790,468,748	6,861,708

3. An amount of 1,459 million NIS (development expenditures financed by the treasury) has been approved in the budget of fiscal year 2023, whereas the **actual implementing** of this item was 424 million NIS (only 29%).

❖ **SAACB expresses qualifications to the compliance of MoF with IPSAS-Cash Basis in financial statements of the fiscal year 2023 for the reasons explained below:**

1. Instructions that regulate the consolidated financial statements of the State of Palestine have not been issued and approved. There is no special approved framework as per instructions issued by MoF as per the approved accounting basis and standards, which agree with the accepted

accounting principles. These instructions, through the special approved framework, specify the level of disclosure, level of sorting, forms annexed with Notes in final statements and accounting policies upon preparation of the consolidated financial statements of the State of Palestine. This is to ensure the necessary disclosure level and presentation of necessary data in the financial statements to serve users or potential users of the consolidated financial statements issued by MoF. Law 7/1998 on general budget and financial affairs, article (20.n) states the responsibility of MoF to prepare, sort and classify the data in the final statements. Law 7/1998 on general budget and financial affairs, article (64) also states that MoF shall issue standing instructions to close and prepare final accounts of the ministries, public institutions and special funds. In agreement with these instructions, ministries, public institutions and special funds shall prepare final statements of revenues and expenditures within their management responsibilities, and shall submit them to MoF.

2. According to the accounting policies disclosed in Note (8.1) on **identification of cash and non-cash transactions (presentation level)** followed to prepare the financial statements for the fiscal year 2023; MoF disclosed the cash and equivalent cash processing policy as follows:

‘**Change in cash and equivalents is the change in the cash balance at banks, and the issued and received cheques as per the applicable commercial laws and norms for cheques’**.

MoF and line entities did not record the received collection cheques in IFMIS (except for GPA), so the collection cheques, to which the equivalent cash definition applies, were not disclosed. Cheques issued by line entities are not widely used, so MoF did not disclose the equivalent cash as stated in the accounting policy, as what has been disclosed is only the cash balance on the financial statement for the fiscal year 2023.

3. Reconcile items per book that have not been processed were considered part of cash transactions that affected the cash balances, which affected the correctness of cash balances and the corresponding accounts’ balances for financial transactions (reconcile items per book) from expenditures and liabilities as at end of fiscal year 2023. This is contrary to IPSAS, which define cash and cash equivalent as ‘the cash on hand, demand deposits and cash equivalent’, and define cash basis as ‘a basis of accounting that recognizes transactions and other events only when cash is received or paid’. Thus, reconcile items per book that affected the bank accounts and corresponding amount in the other side of journal entries (accounts: expenditures, liabilities) should be reconciled, and the cash balances should be reconciled to show them in fair value.

4. MoF included promissory notes to which the ‘cash equivalent’ definition does not apply, as specified in IPSAS, as part of cash and cash equivalent in accounting policies of the financial statements for the fiscal year 2022, Note (1.12). Thus, MoF violated IPSAS that defined cash and cash equivalent in standard (1.2.1) as ‘short-term, highly liquidity investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and the maturity date shall be 3 months or less from the date of acquisition’. This led to overstated cash flows.

5. The complete in-kind grants were not disclosed in the financial statements of fiscal year 2022. Note (24.1) on in-kind grants (summary of significant accounting policies in financial statements) states that disclosure of these grants is not complete.

6. The financial statements of the fiscal year 2023, specifically in Note (13) on payrolls, do not disclose details of salaries. They include salaries of civil employee (with bonuses and deductions), security forces salaries (with bonuses and deductions), pensioners, salaries of ministers and PLC members, salaries of Palestine National Fund ‘PNF’, etc.

The accounting cash basis standard, paragraph (1.3.2), indicates the following:

'Financial statements result from processing large quantities of transactions that are structured by being aggregated into groups according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data that form line items either on the face of financial statements or in the Notes. If a line item is not individually material, it is aggregated with other items either on the face of the financial statements or in the Notes. An item that is not sufficiently material to warrant separate presentation on the face of the financial statements may nevertheless be sufficiently material that it should be presented separately in the Notes'.

7. Note (18) on cash flows of the GPA was presented in net financial statements of 2023, contrary to IPSASs (cash basis). Standard 1.3.12 of cash basis states the cases where presenting the value in net applies, as below:

'Total cash receipts of the entity showing separately as sub-classification of total cash receipts using a classification basis appropriate to the entity's operations'.

MoF presented Note (18) on inflow and outflow cash of the GPA without a sub-classification of total cash receipts and payments, as required by the accounting standards.

Operations of GPA are considered commercial, and actions of government business enterprises require –as per IPSAS (cash basis)- implementing the International Financial Reporting Standards (IFRS), which requires applying the accrual basis of accounting to findings of actions.

8. SAACB expresses qualifications to value of amounts disclosed in the 'budget vs. actual' comparison statement in the financial statements for the fiscal year 2023 due to the following:

- MoF and line entities do not have control procedures, to give reasonable assurance about completion of all financial claims entry into IFMIS by line ministries upon the start of procurement or service provision processes.
- Lack of control procedures to ensure that financial claims are processed in IFMIS on regular basis by line ministries, so the claims that do not have any financial affect anymore would be reversed.

❖ Qualifications to Note (2) on local tax:

- Monthly reconciliations and matches between statements of cheques entered into RMS were not made and matched with bank statements. The value of collected cheques does not match, as per the tax-automated report with RMS and the collected cheques as per bank statements. This does not provide assurance about the validity of transactions entered into RMS regarding the collected cheques, in terms of actual collection of cheques.

- MoF kept recording the income tax revenues, VAT revenues, customs and tobacco labels as they appear in the actually collected bank statement, not the revenues reports released by the departments in question at MoF, and after making the bank reconciliations and matches, contrary to previous SAACB recommendations on the subject, despite the manipulation and misappropriation cases in vehicles customs (2021-2022). This did not provide an assurance about the accuracy and completion of revenues disclosed in the financial statements for the fiscal year 2023. The value of collected cheques, as per bank statement, does not match the value of collected cheques as per the report of tax computer department report and RMS.

- The accounting records in VAT and income tax revenues accounts, deductions, customs and tobacco labels do not match the monthly reports from tax computer department regarding the revenues of collected cheques, as per bank statement and monthly reports from the tax computer department. Modifying entries made for income tax and VAT revenue accounts, based on

monthly reports from tax computer department, are not correct and did not take into account the mismatched total amount as per the tax computer department and the amount actually collected in bank, based on which the revenues recording entries have been made.
- The general department for customs and VAT did not make reconciliations and matches for the revenue items value as per the ASYCUDA in all different forms (cash, cheques, balance deduction, netting, refund from treasury, etc.).
- Monthly matches for the netting transactions recorded in the taxpayers' balances were not made and matched in RMS with accounting records in IFMIS, and monthly reports on the subject were not made in order to have them duly approved by the management.
- The decline of local collection amounts negatively affects the treasury and increases indebtedness on taxpayers, through the poor procedures the tax departments follow.
- Poor collection follow-up procedures for due tax and customs duties to customs statements. Customs statements with amounts to be paid reached 15,456 statements from 2010-2023, with 362,835,216 NIS as per the report taken from the customs software 'P-TAX' as on October 27th, 2024. The report shows the status of these statements as 'To be paid'.
- Poor follow up to vehicles with unpaid tax (4534) with 223,456,800 NIS attached thereto, as per the report taken from the customs software 'P-TAX' as on October 27th, 2024.
- Poor follow up to bounced cheques at VAT department and income tax department. Number of bounced cheques with total amount of 37,094,407 NIS as at November 19th, 2024 reached 6166 based on reports extracted from IFMIS.
- A match was not performed for value of cheques to be collected and recorded in RMS with bank account for cheques depositing until they are collected, and to validate the number and value of cheques entered in the system with these deposited in bank. According to the report extracted from RMS on November 11th, 2024, it was found that the number of cheques deposited for collection was 15,216, at value of 695,239,499 NIS.
- Poor controls over cheques at income tax and VAT departments. It was found that:
1. There is mismatch between value of cheques collected in RMS (NIS) with value of collected cheques as per monthly reports from tax computer department and accounting entries in IFMIS, which were made from the bank statements of actual collections.
2. There are cheques deposited in bank by officer in charge before making the bank deposit voucher in RMS. It was found that date of actual depositing precedes the date of bank deposit voucher in RMS.
3. There is time gap between the cheques receipt from taxpayers and the receipt voucher on one hand, and the making of bank deposit voucher and depositing in bank on the other hand.
4. There are received cheques not deposited in bank, despite more than one year passed since they are received.
5. There are cheques with maturity collection date as at September 30th, 2024, but still appear in the system as 'for collection' although part of these date back to 2019.
6. Part of the cheques is bounced because the tax departments accepted cheques from taxpayers with maturity date of more than six months, which made the banks return them.
- Poor procedures to close tax files, where it was found there are tax files closed in income tax department, VAT department or both, with debit and credit cash balances not duly collected or processed.
- Poor follow-up to regular unbalanced statements (634) (amount paid less than the amounts that should be paid as per statement). Amount of tax differences to be collected to the treasury's

benefit from the unbalanced regular statements presented for the years 2010-2023 reached 567,113,481 455, as at October 04st, 2024, based on reports extracted from IFMIS.
- Balances of accounts in RMS are not correct, which affects receivables of taxpayers and reports issued from RMS regarding amount of revenues, due to failure to process accounting transactions that have not been posted (saved transactions) in RMS.
- Poor follow-up to outstanding statements paid by taxpayers, but not recorded in cash statements of taxpayers.

❖ Qualifications to Note (3) on clearance revenues:

1. MoF did not reconcile the clearance revenues, in order to compare between amounts of clearance revenues transferred by the Israelis during clearing sessions meetings with amount of revenues that should be transferred as per MoF records. Differences between customs revenues from clearance recognized by the Israelis in clearing sessions meetings and amount of due revenues as per revenues report of monthly Israeli transfer from customs software were not processed. Table below shows these differences:

Year	Revenues as per monthly transfer report from ASYCUDA (NIS)	Revenues as per clearing sessions (NIS)	Differences (NIS)
2023	5,227,537,352	5,093,964,803	133,572,549

2. SAACB could not confirm the nature and validity of actual amounts transferred by the Israelis for income tax deducted from wages of Palestinian workers who work in the 1948-occupied territories, as the Israelis did not provide MoF with supporting documents and details about value of these amounts transferred via clearance. This has also led to MoF inability to reconcile what the Israelis transfer, and to inability to know receivables due to MoF on the Israelis regarding income tax they deduct from wages of Palestinian workers. They reached 244,917,934 NIS in the fiscal year 2023.

3. SAACB could not confirm the nature and validity of amounts the Israelis deducted in exchange for wastewater treatment, due to lack of a reference to explain calculation process and legality of amounts deducted, as they do not have supporting documents and references that explain how amounts the Israelis deducted were calculated. The Israelis did not provide Water Authority with detailed vouchers explaining calculation process for treatment from quantitative and qualitative perspectives, so they deduct without agreements with the Palestinians. Value of amounts deducted in exchange for wastewater treatment reached 131 million NIS in the fiscal year 2023.

4. SAACB expresses qualifications on validity of amounts the Israelis deduct under 'Health' item. Value of amounts deducted reached 180 million NIS in the fiscal year 2023 due to the following:

- MoF did not coordinate with Ministry of Health (MoH) in order to audit and validate the amounts deducted each month, and did not validate vouchers and financial claims issued by Israeli hospitals.
- MoH did not follow up cases referred to Israeli hospitals in order to determine necessary medical needs for patients there, which directly exhausts the financial resources of the State of Palestine's treasury.

5. Treasury of the State of Palestine paid illegal expenditures (11,507,355 NIS during fiscal year of 2023 under 'payrolls'), which the Israelis should have paid.

❖ Qualifications to Note (5) on revenues of central line entities:

1. SAACB expressed qualifications to accounting records and supporting documents that have been used to record revenues of central line entities, because MoF recorded monthly revenues of the central line entities in the aggregate from what is mentioned in bank statements, and without relying on any reports and matches sent by line entities. Some line entities did not provide MoF with necessary monthly reports for the collected revenues and bank reconciliations of the revenues' bank accounts.
2. Some line ministries did not prepare monthly reports and bank reconciliations of revenues. Book records are not matched with value of revenues that should be collected based on service provided by line ministries, and the amounts collected in banks, and do not match the book balance of bank account with actual bank account, as mentioned by the Palestinian financial regulations applicable in ministries and institutions, article (121).

❖ Qualifications to Note (8) on withheld receipts:

1. SAACB expresses qualifications to failure of MoF and line entities to prepare regular reconciliations for the deposits accounts. This has led to a number of accounts with consistent and unchanging balances for a while, without decision made thereto, which is contrary to the financial regulations that state: **'Balances of specific-purpose trust fund accounts shall be transferred two years after the date of entry into the general revenues account. Minister of finance may in certain cases transfer them after one year from the date of entry'**. Table below shows accounts that have not been settled on regular basis and the accounts with unchanging balances for years:

Name of account
Land acquisition trust
Other trusts
Land Authority trusts
Credit trusts
Trusts of payrolls refunded from banks
10% retention payables
Trusts of Palestine Technology College, Deir el-Balah
Preventive Security trusts
Intelligence trusts
Palestinian Pension Fund trusts
Trusts of external lawsuits in courts

2. MoF recorded the retained amounts as deposits with an accounting entry on monthly basis for the total amounts deposited in the bank account, without matching each financial transaction that appears in the relevant contact or reference. Besides, each payment was matched with the relevant reference of the beneficiary, which directly affected the validity of balances for trust fund accounts of beneficiaries.

❖ Qualifications to Notes (10, 19 & 20) on public debt:

Total borrowing disclosed in Note (10) reached 2,443,763,000 NIS in the financial statements of the fiscal year 2023, distributed as follows:

- Local borrowing during the fiscal year 2023: 2,941,315,000 NIS.
- Foreign borrowing during the fiscal year 2023: 29,618,000 NIS.

- Cash withdraws (overdraft) during the fiscal year 2023: 527,170,000 NIS.
- Based on evaluation of findings reached in the audit of Note (10) on public debt, Note (19) on interest and Note (20) on public debt payments in the financial statements for the fiscal year 2023 that are based on audit evidence, SAACB expresses qualifications to Notes above **due to the following reasons**:

1. Monthly reports disclosed in financial statements for the fiscal year 2023, published on MoF website, do not provide assurance to validity of balances, due to inability to access detailed balances of each liability. This led to inability to match the amounts disclosed in monthly reports with accounting records in IFMIS, and to inability to match the balances of confirmations that were submitted to SAACB with balances of liabilities. We were not provided with any detailed records of the balances of liabilities (balance of each liability), which validate the balance of arrears disclosed in the aggregate reports (aggregate transactions), taking into account that disclosure of liabilities is among the encouraged additional encouraged disclosures required by IPSAS-cash basis.

2. Non-disclosure of indebtedness due to some entities and foundations in monthly reports disclosed in the financial statements for the fiscal year 2023, published on MoF website, as explained below:

- MoF did not disclose the indebtedness due to the Palestinian Pension Agency as part of the amounts due on the treasury, originated from not transferring the amounts deducted from public servants and the government's contribution to the contributions and benefits systems of PPA in the fiscal year 2023.
- Some articles of the agreements signed between PNA, the Israelis and JDECO for 2016 and 2017 have not been disclosed. These articles are about the Palestinian government (the treasury) bearing the due indebtedness on electricity sector. Summary of key accounting policies only indicated sovereignty agreements on electricity, without disclosing details of these agreements or determining the value of commitments on the government. Commitment of the latter to pay JDECO the aggregate banking loan has not also been disclosed.
- MoF did not disclose the liability balance for the Gaza Electricity Company in the public debt reports of the financial statements of 2023, with the balance difference between MoF records and the Company's audited financial statements. MoF deducts from payrolls of Gaza staff.
- The failure to disclose these agreements, with substantial impact on financial statements, affects the knowledge of these commitments' nature and amounts, as well as the government's financial plans.
- MoF did not disclose the due amount to the Palestine Investment Fund.
- MoF did not disclose the payable to the Palestinian Deposit Insurance Corporation (PDIC), in terms of the unpaid amount from the government's contribution, in addition to the delay penalties from not paying the amount due to PDIC (500 USD per each day of delay), according to the PDIC Law, article (29). Interests in expenditures and public debt reports were not disclosed.
- MoF did not disclose the balance of amounts due on the General Petroleum Authority for the fuel supplying companies in the public debt reports of the financial statements of the fiscal year 2023.

3. Balances of local and foreign loans and bank facilities in monthly reports do not match the approvals received from donors:

- Value of foreign loans disclosed in the monthly report was overstated at 316,738 NIS.

- Value of bank facilities to MoF disclosed in the monthly report was understated at 1,548,254 NIS. The value of facilities to MoF was disclosed in the monthly report at 1,460,840,181 NIS, whereas the value of facilities to MoF as per approvals received from banks reached 1,462,388,436 NIS.

4. Invalid disclosure of the borrowing value, interest payments and loans payments in the financial statements of the fiscal year 2023:

- Value of the disclosed local loans has been understated at 271,769,499 NIS. Value of the local loans has been disclosed at 2,941,315,000 NIS instead of 3,213,111,675 NIS.
- Value of the disclosed local loans payments was understated at 127,382,792 NIS. The value of loan payments (loan installments) was disclosed at 1,622,084.000 NIS instead of 1,749,465.073 NIS.
- Value of the disclosed local loans interest payments was understated at 11,772,251 NIS. The value of paid interests was disclosed at 323,873,000 NIS instead of 335,644,795 NIS.

5. There are currency exchange rate differences due to failure to prepare difference entries for some foreign loans accounts, foreign instalments and due foreign interest.

❖ Qualifications to Note (13) on payrolls:

Based on audit findings evaluation, which are based on audit evidence obtained regarding Note (13) on payrolls in financial statements of the fiscal year 2023; SAACB expresses qualifications to the Note above **due to the following reasons**:

1. MoF did not process and reconcile the payrolls balance due to staff in a separate IFMIS account, which accumulated due to the failure to pay completely the payrolls each month because of the financial crisis the Palestinian government is having. The value of these payables was not separately disclosed in a way that expresses value, specifically in Note (13) on payrolls or in any of the Notes in financial statements for the fiscal year 2023.
2. The balance of intermediate account No. (331874) for due payrolls was not processed and reconciled. The account balance reached 3,147 million NIS as at December 31st, 2023 and 2,181 million NIS as at January 1st, 2023. MoF did not perform the necessary reconciliations for the account, although this is an intermediate account that should have its balance reconciled as at fiscal year-end. Table below shows total debit and credit sides of the fiscal year 2023:

Month	Debit (NIS)	Credit (NIS)	Difference (NIS)
01/2023	1,245,003,576	1,316,357,440	(71,353,864)
02/2023	1,222,074,070	1,300,523,169	(78,449,100)
03/2023	2,163,601,788	1,782,574,148	381,027,640
04/2023	1,025,315,504	1,255,897,165	(230,581,661)
05/2023	728,969,099	1,084,994,107	(356,025,008)
06/2023	2,461,637,871	1,938,792,505	522,845,366
07/2023	914,577	710,329,329	(709,414,752)
08/2023	1,337,935,428	1,445,681,236	(107,745,808)
09/2023	1,309,928,036	1,369,537,810	(59,609,773)
10/2023	1,305,143,279	1,339,685,218	(34,541,939)
11/2023	80,091,171	701,925,309	(621,834,139)
12/2023	2,381,106,321	1,981,738,860	399,367,461
Total	**15,261,720,720**	**16,228,036,296**	**966,315,576**

3. There are differences that have not been processed between the data in Oracle for payrolls and data recorded in IFMIS in the due payrolls intermediate account No. (331874). Below is a sample of what has been examined and findings of the mismatch:

- There are differences at 20,808 NIS in October 2023 payroll and 19,205 NIS in December 2023 (military staff).
- There are differences at 3033 NIS in February 2023 payroll, 11,895,526 NIS in April 2023 payroll and 3500 NIS in December 2023 payroll, paid for the 1500 NIS grant.

4. MoF does not have procedure manual to define the accounts used to record payments and deductions of payrolls. Some names of the accounts used to record payrolls do not suit the nature of expenditures or deductions, as per laws and regulations that govern payrolls payment. Below is a sample:

- Accounts of payroll (wages and salaries) expenditures do not suit the account name, as per laws and regulations that govern payrolls payment. Table below shows a sample of these accounts:

Account No.	Account name
331806	Payroll deductions
211101	Full-time staff
211101	Full-time staff
211121	Staff rewards
211116	Special allowances
211117	Other allowances
331834	Vehicles sale deductions / payroll deductions

- There is no separation in the staff share recording between the insurance and retirement law for the Palestinian security forces 16/2004 (10%) and the general pension law 7/2005 (7% the defined benefit scheme + 3% the defined contribution scheme). Both deductions were merged in the same account No. 331816 (staff share, insurance and pensions, payrolls deduction). All payments are recorded in only one reference (Palestinian Pension Agency, intermediate pension scheme account) without determining the funds that each paid amount belong to.

5. A number of general budget programs for the fiscal year 2023 have not been complied with in the payrolls item No. (211) and the social contributions item No. (212), contrary to the general budget law for the fiscal year 2023, article (9.2). It states: '**expenditures or payments that do not have allocations in this decree law shall not be made. Any amount that exceeds the allocations stated in this decree law shall not be complied with**'. This is explained as follows:

- Some social contributions item programs No. (212) for fiscal year 2023 exceeded the spending for budget allocations (3,599,697 NIS).
- Some payrolls item programs No. (211) for fiscal year 2023 exceeded the spending for budget allocations (51,835,946 NIS).

6. There is a significant change in the value of records for May 2023 payroll, compared with other months of the fiscal year in both credit and debit sides. MoF did not explain the reasons for this May 2023 increase, as explained below:

Note of document on entries recorded automatically	Total debit side (NIS)	Total credit side (NIS)	Difference (NIS)
Payroll Voucher Period '2023-04-01'	562,665	45,237,605	(44,674,940)
Payroll Voucher Period '2023-05-01'	**145,539,951**	**185,485,481**	**(39,945,530)**
Payroll Voucher Period '2023-06-01'	10,992	45,746,687	(45,735,696)

7. The value of some amounts deposited by staff (refunds) in bank accounts is not recorded in Oracle for payrolls. The value is not reconciled for the accounts in IFMIS as part of bank reconciliations and matches with payrolls software.

8. There are differences between the records of central financial administration and records of MoF in previous fiscal years at 38,594,878 NIS in the government's share account, and the 8,500,259 NIS in the staff share account. This does not provide an assurance for validity and accuracy of records in both share accounts, thus affecting the validity of account balances as at end of fiscal year 2023 for both shares. Besides, it affects the value of budget reservation of expenditures against the government's share account in the budget item No. (212).

❖ Qualifications to Note (14) on expenditures other than payrolls:

Based on audit findings evaluation, which are based on audit evidence regarding Note (14) on expenditures other than payrolls in financial statements for the fiscal year 2023; SAACB expresses qualifications to the Note above **due to the following reasons**:

1. MoF did not comply with the general budget law for the fiscal year 2023. MoF did not fully disclose the entire value of fuel subsidies account No. 251102 (630,501,833 NIS) in Note (14) on expenditures other than payrolls in a separate item. MoF disclosed 502,001,833 NIS as part of customs and excise refunds in Note (18). The remaining amount (128,500,000 NIS) has been disclosed as part of arrears item in Note (21). Moreover, the fuel general item does not have an allocation in the first place in previous years to be calculated as part of arrears.
2. Failure to cut-off between fiscal years upon processing the book outstanding items, and failure to prepare journal entries to reverse the outstanding payment vouchers from the same fiscal year. MoF disclosed the reversed journal entries as cash transactions in Note (14) of the fiscal year 2023, which understated the cash in the value of reversed journal entries. This overstated the expenditures in Note (14) on expenditures other than payrolls for the fiscal year 2023, by making reversed journal entries for payments made in the fiscal year 2023 during the following fiscal year (2024).
3. MoF did not comply with provisions of the financial regulations regarding the closing of advances. MoF did not close all advances paid the same fiscal year when spending took place, also pays new advances to institutions and associations that have old advances balance that has not been closed.
4. MoF bought government vehicles in a way contrary to the public procurement regulations, in specifications and prices different from what is allocated and stated for government vehicles in central bidding. It was found after reviewing a sample of procurement transactions of government vehicles (1,787,537 NIS) that they were carried out contrary to the applicable public procurement law.

❖ Qualifications to Note (15):

- Payments disclosed in financial statements through lending reached 1,278,914,000 NIS as at December 31st, 2023.
- Net payments disclosed in financial statements through re-lending reached 22,303,000 NIS as at December 31st, 2023.

Based on audit findings evaluation, which are based on audit evidence regarding Note (15) on lending and re-lending in financial statements of the fiscal year 2023; SAACB expresses qualifications to the Note above **due to the following reasons:**

1. Incorrect amounts disclosed in the 'direct electricity lending to local entities and service providers' and 'energy sector lending (Gaza Electricity Co.) through third party', as part of the government lending to local entities, service providers and the private sector, and

incorrect balances and receivables of lending accounts within the trial balance due to the following reasons:

- The delayed reconciliations with electricity companies, with significant differences between the balance due to MoF recorded in IFMIS and the balance as per statements that companies presented. These differences are due to not recording all of the government electricity sector expenditures, which led to incomplete and understated expenditures in the financial statements and the budget execution reports for the fiscal years 2017 – 2023.
- There is not match between the reconciliation agreed upon with the South Electricity Co. on one hand and MoF records on the other hand, where the entire amounts recorded on the Company were not included.
- Accounts receivable balance on JDECO and lending were overstated, due to MoF failure on make periodic reconciliations with JDECO, and the failure to record the amounts agreed upon in previous years.
- There are differences between total balances of reference details report (receivables) on the local entities lending account (electricity) on one hand, and the balance of the account local entities lending (electricity) on the other hand. This is due to errors in recording in receivables on local entities, or due to errors in recording in the account with overstated account balance due to failure to record all expenditures that have been netted with local entities (electricity consumption in government institutions, support to energy projects, etc.), thus leading to incomplete disclosure of expenditures in the financial statements.

2. Incorrect amounts disclosed in the 'water lending' item, as part of the government lending to local entities, service providers and the private sector, and incorrect balances and receivables of lending accounts within the trial balance due to the following reasons:

- Incorrect lending account balance on local entities (water) due to the differences between the amounts deducted in clearance as part of the lending account balance on local entities (water), and the reference report balance (receivables) for the lending account balance of local entities (water). Besides, the difference brought by the failure to distribute all amounts recorded in the water lending account (deducted in clearance) as receivables, or water losses not recognized as expenditures.
- Incorrect and understated water lending balance due to failure to record maturity of local water selling revenues against the receivables on local entities and individuals, with understated revenues due to incomplete accounting recording of revenues.
- Failure to record losses from water loss and tariff support of the water service, which overstated the water lending and understated the water expenditures.
- There are misstatements in water lending balance and receivables due to differences between IFMIS balance and the Water Authority balance regarding the private sector, without preparing reconciliations with the West Bank Water Department (WBWD). Water consumption netting in some government institutions is not recorded, and their water bills are deducted from the lending account, which overstates the lending and understates the expenditures in government accounts.

3. SAACB expresses qualifications to validity of recording the receivables balances due on local entities, companies and individuals, and to receivables balances on local entities in the accounting records for the following reasons:

- Incorrect balances for lending and receivables accounts due to failure to make reconciliations with electricity and water service providers, and the failure to recognize some government

expenditures from 2017 – 2023, which have not been recognized and have not been deducted from the budget allocations.

- Council of ministers decisions regarding the recording of local entities' indebtedness are not time-limited, do not represent specific periods and accurately and aggregately determined as at date of decisions.
- The aggregate balances that have been obtained are not supported with paper documents that prove authenticity of these balances since 2002 and earlier.
- The opening balances due on local entities as at Dec 31st, 2010 have been posted to IFMIS as opening balances as at May 20th, 2015 and May 26th, 2015, without providing SAACB with documents that support authenticity of these opening balances used as opening balances.
- The basis used by committees to record indebtedness is not correct, as they depend in indebtedness recording on balances that cover sparse periods during different years for many items.
- There is not correct process to handle the clearance deductions and coordinate the collection process from local entities, in order to avoid duplicate payment to the National Company.
- Recording for water lending is done for incorrect references. Reference numbers other than ID numbers or licensed operators are used. Several references can be used for the same receivable, which leads to difficult follow-up and reach a correct balance at the receivable level.
- Balances of receivables on local entities appear incorrectly regarding the electricity and water lending, due to lack of recording or incorrect recording in references of local entities. The reconciliations for all receivables were not made and processed correctly.
- The netting for road transport trusts against lending was not periodically recorded, which makes the lending balance (water, electricity) and the road transport trusts balance appear inaccurately at end of each fiscal year.
- The records of water and electricity netting transactions are not complete, which overstated the water and electricity lending balance at end of each fiscal year, and affected the expenditures completeness of the fiscal year, thus the measurement of actual budget execution is not measured correctly and off-budget spending.

4. Incorrect receivables balances on local entities in the wastewater trial balance, due to failure to distribute debts on the local entities lending account (wastewater) to references of local entities benefiting from wastewater service.

5. Poor controls over electricity consumption, such as the absence of meters for all electricity connection points, regular consumption monitor and matching the bills with consumption, which lead to possible risk of mismatched electricity bought with the actual consumption, and to possible mistakes that would be difficult to spot when reading the meters of PETL.

6. Failure to comply with council of ministers decision No. (c.m.18/226/11) of 2023, where the indebtedness of Aqraba Municipality has not been deducted as per the decision, which overstated the lending accounts and led to invalid receivables balance of the Municipality, and understated the expenditures at value of deduction that should have been recoded.

7. Failure to comply with council of ministers decision No. (c.m.18/39/07) of 2020, where MoF was not provided with the approved lists of house consumption in refugee camps, whether the old or the new debts. The committees mentioned in the decision did not accomplish the assigned tasks, and did not finish installing smart meters in every house in refugee camps. Thus, the treasury bears additional cost and the increased annual budget deficit without supporting documents, contrary to the council of ministers decision.

❖ Qualifications to Note (22) on cash:

Cash balance disclosed in financial statements as at Dec 31st, 2023 reached 627,563,000 NIS. Based on audit findings evaluation, which are based on audit evidence regarding Note (22) on cash the in financial statements of fiscal year 2023; SAACB expresses qualifications to the Note above due to the following reasons:

1. There was not cut-off between fiscal years upon making some adjusted journal entries to some bank accounts, where the impact of adjustment entries was made at the accounts level on IFMIS was not impacted in the financial statements of the fiscal year 2023. Additionally, the accounting records are not complete and involve misstatements, as in table below that shows some bank accounts:

Account No.	Value of misstatement	Currency	Notes
CA734603	24,345,245	NIS	Fiscal year 2024 was modified without impacting the impact of modifications onto the financial statements of 2023 issued by MoF
PL233802	3,332,026	NIS	
TNB85601	729,135	NIS	
TNB88802	22,867	NIS	
PL234802	1,061,338	NIS	Incomplete accounting records

2. Interest and commissions were charged in the bank accounts for revenues collection, contrary to the policies and the agreement applicable between MoF and banks.

3. There are outstanding payment vouchers (transfers, cheques) in bank reconciliations (not paid), which are not processed on IFMIS as at audit date, taking into account that a large part of these reconcile items date back to previous fiscal years. This has affected Note (22) on cash balance, the Note (10) on the overdraft balances and Note (14) on expenditures, besides the receivables accounts and budget execution.

4. Incorrect bank reconciliations made for the Bank of Palestine accounts for expenditures refunds, due to the following:

- Bank reconciliations and previous years' mistakes aggregate in these accounts through matching the book balance and bank balance with aggregative entries without referring to principle of these differences and making bank reconciliations thereto. This does not give assurance on validity of accounts regarding expenditures and receivables, where differences were recorded in 'different revenues' account, and no financial impact was reflected to receivables.
- MoF and line ministries did not record some cash deposit amounts in bank account No. 1206159 for expenditure refunds, where part of which was recorded with aggregate journal entries that correspond the revenues, instead of matching them with the receivables duly.

❖ Qualifications to compliance with laws, regulations & legislations

- There has been violation to law 7/1998 on regulation of general budget and financial affairs, article (66) due to minister of finance's approval to draft final accounts. The law states that MoF shall prepare and submit the draft final accounts to council of ministers for approval, and refer them to the Legislative Council within one year from the end of the fiscal year for approval, and a copy of the draft shall be forwarded to SAACB.
- There has been non-compliance with the council of ministers decision (C.M.M.S.18.39.07) of 2020. The decision states forming committees jointly with refugee camps' committees and JDECO in order to update data and install smart meters in each house in the camps, whose readings can be taken remotely and provide MoF with monthly reading statements. Thus, the treasury bears additional cost, the annual budget deficit increases and payments are done without supporting documents, contrary to council of ministers decision.

- There has been non-compliance with several council of ministers decisions regarding the deduction of value of electricity and water projects, which the local entities and electricity companies carry out in exchange of the government's obligation to deduct indebtedness on local entities and companies. This leads to overstatement of lending accounts and invalid balances of local entities receivables as part of the lending accounts and understatement of expenditures.
- There has been non-compliance with the government policy referred to in the general budget law. This policy understates the net lending that represents electricity and water deductions from monthly clearance revenues, in order to reach the lowest level possible. The electricity deductions made by the Israelis over the past ten years have not been audited retroactively, as per the budget book, 2020.
- The high ministerial committee on public debt did not commence duties and authorities, contrary to provisions of the public debt law 24/2005, article 2, taking into account there has been a council of ministers decision dated December 11th, 2018, which states that meetings of this committee shall be held.
- Institutions of the government and line entities did not provide MoF, public debt department with all necessary statements regarding public debt, contrary to provisions of public debt law 24/2005, article 6.
- Executive regulations of the public debt law have not been issued as at audit date, contrary to provisions of public debt law 24/2005, articles 29 and 40.
- Borrowing conditions and guaranteeing of transaction are not published in the official gazette as at audit date, contrary to provisions of public debt law 24/2005, article 34, and law 7/1998 on organizing the general budget and financial affairs, article 58.
- There has been non-compliance with law provisions upon obtaining banking services from the banking sector. MoF did not adhere to provisions and amendments of public procurement law 8/2014, as well as provisions and amendments of public procurement regulations 5/2014.
- MoF did not obtain council of ministers consent and their legal counsel approval to agreements of some loans before making them with the banks, contrary to provisions of public debt law 24/2005, article 11. Additionally, agreements of some loans do not have minister of finance signature.

2. An-Najah National University Hospital Co., financial statements

The Bureau audited the financial statements of an-Najah National University Hospital Co. for the period ended 30.09.2022. **The audit included** items of financial position, income statement with relevant financial procedures, notes and explanatory notes attached with the financial statements, an assessment of the Hospital's capacity to fulfill obligations and a review of risk emerging from action of the Company, such as clients' concentration and credit risk.

Best practices

The Hospital seeks to apply the best practices in health care, in terms of modern practices, methods, procedures and high quality evidence-based techniques, in order to improve findings of patients' health and strengthen the health system.

Significant observations

- Deficit of the operating capital and poor liquidity of the Hospital, due to the government' delayed payment of dues. Average liquidity as at end of fiscal period (30.09.2022) reached 46%, which made the Hospital acquire the necessary subsidies from banks to pay dues.

- The Hospital issued financial statements covering 9 months of 2022, in line with the University's internal financial regulations (as mother entity), without processing the disclosure of the remaining three months of 2022 (01.10.2022 – 31.12.2022). This affected the ability to compare financial statements of 2022 and 2021, as comparative statements for the previous year (2021) and subsequent year (2023), which requires the Hospital to process the undisclosed fiscal period (3 months).
- The Hospital issues financial statements in Jordan Dinar based on the average exchange rate of revenues and expenditures (income statement), taking into account the actual exchange rate as at the date of each financial transaction of expenditures and revenues could be used. This has affected the value of revenues and expenditures (items of income statement) due to reliance on average exchange rate of Dinar instead of the actual rate.
- The Hospital does not have a committee responsible for investments. It also does not have an investment policy to identify investment aspects, goals, indicators and distribution.
- The biggest part of net accounts receivable due to the Hospital (83%) was categorized as part of non-current assets at 66,576,283 Jordan Dinars as at the end of fiscal period (30.09.2022), due to the government' delayed payment of dues to the Hospital.
- There is significant difference between value of accounts receivable the Hospital disclosed owed by the military medical services, with the value of approval the Bureau received from the military medical services and Ministry of Health for claims received from hospitals.
- The Bureau could not have the approval of Ministry of Health balances for the balance of dues to the Hospital from the Ministry. Balance of dues the Hospital disclosed reached 86,692,734 Jordan Dinars and 86,466,683 Jordan Dinars as at 30.09.2022 and 31.12.2021 respectively.
- The clients' concentration risk increased. The vast majority of the Hospital's revenues were generated from service provided to the Palestinian Ministry of Health and the military medical services (government entities), reached around 90% of total revenues. There is also the increased credit risk due to the concentration of most of accounts receivable due to the Hospital in one entity (the government), especially in light of the delayed payment of these receivables by the government. Total accounts receivable due to the Hospital on government entities reached 95,307,273 Jordan Dinars as at 30.09.2022, almost 91% of accounts receivable.

Significant recommendations

- The Hospital should monitor the collection of accounts receivable from entities, most importantly the government, in order to reduce depending on funds to secure liquidity necessary to finance operations, pay dues and have plans to counter the capital deficit and reduced liquidity index, in order to ensure the Hospital's capacity to fulfill obligations, pay dues and maintain action.
- The Hospital should have financial statements on comparable basis with the comparison year/period. The present and comparative financial statements should be of the same period of financial statements, in addition to the processed financial period from 31.12.2022 – 31.12.2022, which does not have financial statements issued.
- The Hospital should interpret the income statement (expenditures, revenues) by using the actual Jordan Dinar exchange rate as at the date of each financial transaction of expenditures and revenues, instead of relying on the average exchange rate of financial period.
- The Hospital should form a committee responsible for investments, which sets and approves investment policies, and prepares guidelines to enforce investment policies.

- The Hospital should follow up and collect the accounts receivable, the biggest part of which (83% of net accounts receivable) is categorized among non-current assets. The non-current part is dues to the Hospital on the government.
- The Hospital should take effective procedures to manage the reduced liquidity index risk and ensure the variety of operations provided to other entities (non-government), in order to reduce the dependence on finances and to ensure sustainable operations of the Hospital. Further effort should be made to collect dues of the Hospital from the government, in order to ensure sustainability.
- Dues should be monitored and necessary reconciliations should be made on periodic basis between the Hospital and government entities (military financial administration, Palestinian Ministry of Health). The follow-up should bridge the gap between balances of dues at the government (accounts payable) and the Hospital (accounts receivable), and to ensure validity of balances to the Hospital on the government, disclosed in the financial statements.

Nature of response

The Hospital emphasized the Bureau's significant observations, which would help improve and raise quality of financial and management operations of the Hospital.

3. Road transport trusts

The Bureau audited the validity and soundness for the calculation of road transport trusts, where the audit scope included the distribution procedures of road transport trusts for 2021-2022 by Ministry of Local Government.

Best practices

Ministry of Finance maintains special accounts for road transport trusts. Share and distribution of local government entities are calculated as per council of ministers decision. Population is the most important factor for deciding the allocations of each local government entity, where amounts are paid to entities, or a clearance from water and electricity indebtedness is made with entities. A part is allocated for development projects in local entities.

Significant observations

- The amount approved to distribute the road transport trusts allocations to local entities for 2021 is invalid, due to failure to calculate the 50% of traffic fines revenues stated in account No. (114512). The balance is 1,691,959 NIS, which includes traffic fines and revenues of precautionary confiscation, contrary to the Palestinian local entities law 1/1997, article 25.1.
- Ministry of Local Government did not follow the local entities law regarding the allocations distribution of road transport trusts, based on the contribution of each district in the collection of Ministry of Transport revenues. The local entities projects are not allocated as per development plans approved by Ministry of Local Government.
- Failure to comply with items and percentages approved by council of ministers to distribute the road transport trusts, by allocating amounts for some items more or less than what the council of ministers approved. The amount set by council of ministers to distribute the road transport trusts for 2021 has been surpassed at 1,926,814 NIS.
- There is a committee to distribute road transport trusts, which sets clear standards and basis for distribution, in line with local entities law, council of ministers decision and any relevant instructions.

- There are not standards to distribute the projects over local entities, and to associate the projects granting with processing the resulted net lending, and the compliance with bills payment to the Israeli regional electricity company and/or water bills to the Israeli 'Mikorot' company.
- Ministry of Local Government did not follow up the additional payments to some local entities under 'emergency payments' item, and does not validate the use for designated purposes.
- Ministry of Local Government did not calculate the share value of Palestinian refugee camps off the road transport trusts for 2021-2022, by using the population index as per data of the Palestinian Central Bureau of Statistics, like the municipalities and village councils.
- Ministry of Local Government reduced the population of some communities and overestimated others, due to failure to consider the census data as per data of the Palestinian Central Bureau of Statistics, which led to unequal distribution between local entities.
- There are not standards to categorize joint service councils, select the service councils approved as eligible to receive allocations from road transport trusts and excluded councils, besides how to allocate amounts for joint councils.

Significant recommendations

- There should be compliance with the Palestinian local entities law 1/1997, article 25.1 regarding the allocation of 50% off traffic fines for the road transport trusts, and necessary action should be taken to validate the road transport trusts prior to distribution.
- There should be compliance with the items and percentages the council of ministers approved regarding road transport trusts distribution.
- A committee should be formed of stakeholders to distribute the road transport trusts. The committee should set standards to ensure equal distribution between local entities, taking the following into consideration:

1. Distribution standards should be in line with the local entities law regarding the road transport trusts, taking into account the contribution of each district in the collection of Ministry of Transport revenues, and the projects allocation for local entities as per development plans approved by Ministry of Local Government.
2. There should be standards to distribute the projects to strike equality among local entities, such as associating the projects granting with compliance of local entities with processing the resulted net lending.
3. There should be clear approved standards to distribute the allocations of joint service councils, which include how to categorize and select the councils, besides the balancing of allocation per each council.

- The emergency payments should be followed up, in order to ensure the receiving local entities are using them for the designated purposes.
- Ministry of Local Government should use PCBS data regarding communities with their population, and the distribution of road transport trusts over local entities and refugee camps, in order to prevent duplication of population.
- Projects approved for some local entities from 2021 road transport trusts, which were not implemented, should be followed up. Actual reasons for not implementing should be validated, and action should be taken duly.

Nature of response

The response highlighted that report of the Bureau included important points, which will be implemented as soon as possible.

4. Inventory of the General Petroleum Authority warehouses, 2023

The Bureau participated in the fuel warehouses inventory committee of the General Petroleum Agency at 2023 end in the observer capacity. The committee performed an inventory of the fuel, excluding the gas, warehouses on 02.01.2024. As a continuation to our participation in the inventory, The Bureau reviewed the records in IFMIS and made matches with confirmations sent to the Bureau from fuel and gas supplying companies, without auditing the documents.

Best practices

A committee for the inventory of the General Petroleum Agency warehouses is formed every year, which has as members the internal control at Ministry of Finance, as well as a member from the Bureau. Following the inventory, the records are adjusted to match the actual fuel stock balance, where we observed that losses have significantly dropped over the past few years.

Significant observations

1. Findings showed differences (losses) in the amounts of 95 octane gasoline at 560,907 liters, in diesel at 220,080 liters and some differences (surplus) in kerosene and light gasoline, which requires the Agency to clarify the reasons of these differences.
2. Findings showed increased losses of some fuel types in 2023 against 2022, as follows:
- The loss of 95 octane gasoline in Ni'ilin warehouse increased from 298,727 liters in 2022 to 559,392 liters in 2023 (87% increase), despite that 2023 procurements dropped at around 4 million liters (1%) against 2022.
- The loss of 98-octane gasoline in Ni'ilin warehouse reached 5113 liters in 2023, whereas the surplus of 2022 reached 221 liters.
- The loss of diesel in Ni'ilin warehouse reached 216,931 liters in 2023, whereas the surplus of 2022 reached 158,550 liters despite the procurements dropped at more than 30 million liters (5%).
3. The Agency's losses are due to inaccurate meter readings. A random sample from tanks was taken after refilling, where it was found that the actual amount is higher than the computer reading, which means the sold amounts are higher than meter readings (billed amounts), which represents fuel losses for the Agency.
4. The differences between actual fuel balance in some warehouses and fuel balance in IFMIS (book balance) is not adjusted on regular basis, which brought inaccurate book balances of fuel, and accumulate differences that affect the balance validity over the subsequent years, thus affecting the accuracy of the Agency's financial statements.
5. The fuel inventory committee of the Agency did not perform inventory of gas warehouses, which made it impossible to know the actual gas balances in warehouses as at 2023 end.
6. Despite the Bureau pointed out in previous reports the need to install meters for fuel admitted into the warehouses, the Agency does not use meters to measure admitted fuel as at date of this report (May 2024).

Significant recommendations

- The Agency should have controls to reduce the risk that might lead to non-standard losses by means of regular maintenance, meters calibration, installing meters for admitted amounts and any other procedures that reduce the risk brought by non-standard losses.
- The Agency should deal with the differences between book balance (IFMIS) and actual balance of the fuel in warehouses.
- Fuel entry and admission to and from warehouses of the Agency should be regulated, in order to reduce lost amounts of different fuel types, by daily automatic measuring of amounts in warehouses, recording these measurements, looking into/addressing reasons of differences and adjusting the balance after each inventory.

- Fuel balances in warehouses not used for storage should be addressed, as appeared in IFMIS (Gaza warehouse).
- The gas warehouse should be inventoried and had its balance checked.

Nature of response

The Agency, out of partnership with the Bureau, will take the recommendations into consideration, and will develop action to maintain rights of the nation and citizens.

5. The public finance management improvement project 'World Bank financed' (PFMIP PH II)

The World Bank is financing the 8 million PFMIP PH II, which intends to improve the public finance management, procurement management and the data use in PNA. The projects intends to address the main challenges of the public finance upon recording the revenues and managing the government spending, by means of a procurement system that operates efficiently and effectively, and applying the best procurement practices, so spending is properly made within government limits, in order to have the best value for money.

The Bureau carried out financial and compliance audits of the World Bank grant in Ministry of Finance and high public procurement council for the period ended 31.12.2023. The Bureau released the external auditor report on financial statements for fiscal year 2023 of the project, with data, evidence and supporting documents made available: '*In our opinion, the financial statements present fairly, in all material respects, the financial position of PFMIP PH II (P177742), carried out by Ministry of Finance and high public procurement council for the period ended 31.12.2023, with accompanying notes for the period ended that date, as per provision of financial reporting stated in notes of the financial statements*'.

Significant observations

- By reviewing the records of PFMIS PH II operations, we observed that Ministry of Finance and high public procurement council recorded financial transactions (transfers from World Bank, project expenditures) on several finances and projects. This made it impossible to have the complete trial balance that includes all financial transactions of the project (revenues, expenditures), which makes it vulnerable to misstatements and incompletion.
- By reviewing the accounting records in IFMIS and comparing them against the accounting records in the World Bank's accounting software (of PFMIS PH II), it was found there are some differences between the two programs. There are some amounts that have not been recorded in the World Bank's accounting software, whereas they appear in IFMIS and deducted from PFMIS bank account (appeared in bank statement), which affects accuracy and completion of statements.
- Ministry of Finance, PFMIS management unit, did not transfer all income tax deduction amounts from staff salaries to the treasury account as at 2023 end. These amounts have been deducted from staff salaries paid during 2023, where the deducted non-transferred tax balance reached 3545 USD.
- The disclosed paid amounts did not match between the financial statements and IFMIS, which led to inaccurate amounts in the trial balance, so they cannot be used to make the project's financial statements.

Significant recommendations

- Ministry of Finance should record all financial transactions of the project in one subsidies number and one project number, and should adjust the records.
- All transactions should be recorded in the accounting books of the project (IFMIS, World Bank).
- The deducted tax should be deposited in the treasury on regular basis.
- Ministry of Finance should make the necessary reviews and adjustments to ensure the records validity, and should disclose all accounts stated in the trial balance of the financial statements.

Nature of response

The recommendations have been taken into consideration, the financial statements have been adjusted and stakeholders have been addressed to remedy the procedures.

6. Civil servants benefiting from PEGASE grant 'European Union financed'

Following the audit request from Mr. Prime Minister, which includes following up what has been stated in the European Union' auditor report regarding their field visit to a sample of civil servants benefiting from the EU-financed PEGASE grant, the Bureau had reasonable assurance about compliance of the eight beneficiaries with official hours in the entities in question. The Bureau based its opinion on the following:

- Work nature and circumstances of some positions that only allow staff to use the paper books, not electronic clock, to establish office hours. Each entity is responsible for requiring staff to comply with applicable regulations, as explained in some field works officially assigned.
- In special cases, staff were not able to establish office hours with electronic clock, due to force majeure and/or illness preventing staff from reaching workplace and establish office hours with electronic clock. It should be mentioned that heads of entities approve their office hours, being legally responsible for office hours of staff.
- The Palestinian council of ministers is legally responsible for regulating the office hours of civil servants. Due to general circumstances, many decisions to regulate work in the Palestinian institutions have been issued in order to deal with the difficult financial and security conditions that face the Palestinian government and staff. These include delegating the powers to each minister and head of government entity to regulate office hours, which ensure sustainable service without risking the lives of staff.

Significant recommendations

- The Bureau emphasizes the Prime Minister instructions to the General Personnel Council regarding the compliance of all civil servants with electronic fingerprinting upon arrival and departure, and that any exclusion beyond respective internal regulations shall be cancelled.
- Ministry of Finance, being the entity responsible for the grant management, shall validate the compliance of beneficiary list from PEGASE with conditions and regulations of the grant.
- General Personnel Council shall require all different line ministries to present lists of all staff excluded from electronic fingerprinting because of fieldwork conditions, or any special circumstances approved from the minister in charge, and the Ministry of Finance shall be provided with a copy of these lists for documenting and monitoring purposes.

Nature of response

No response necessary.

II. Governance 'civil, security' Audit Department

	Report	
1	Trusts of rulings enforcement, Ramallah Court, Supreme Judicial Council	
2	National Authority for Military Retirees	
3	Palestinian Fatwa Authority	
4	Action of Salfit governor office	
5	Action of Qalqilya governor office	
6	Action of Jenin governor office	
7	Central Financial Administration, staff placed abroad	
8	Palestinian Maintenance Fund	
9	Trusts of rulings enforcement, Ramallah Sharia Court	
10	Supreme Judge Department	
11	Revenues of consular attestations	

1. Trusts of rulings enforcement, Ramallah Court, Supreme Judicial Council, 2022

The Bureau audited the Supreme Judicial Council (trusts of rulings enforcement) as per the compliance audit principles that match financial transactions with effective laws and regulations. This report addresses the payment process and refunding after the term of litigation, as well as the applicable accounting regulations.

Best practices

- An automated revenues system to regulate revenues collection has been developed as part of effective controls.
- The Council deposited the interest generated from matching the court trusts account into the general revenues account, Ministry of Finance.
- Trusts are digitally archived and connected with respective lawsuits, which facilitates action in the Council.

Significant observations

- There is not a record for trusts before recording in 'Mizan' software started, which means increased possibility of losing some transactions, difficult access to trusts and failure to know the balances of trusts accurately.
- The Council does not have credible accounting system to record financial transactions of litigation (trusts, fees, etc.).
- Difficult audit and recovery of revenue details, due to depositing all court revenues in one account, and failure to separate and detail the revenues in the bank statements, where they are recorded as general revenues without specifying the nature.
- The Council does not take any action regarding the balanced trusts that exceed the term set in law, contrary to the enforcement law No.23, article (167).

Significant recommendations

- The Council should form a special committee to account for all court trusts, and to record all non-refunded trusts retroactively in the accounting system.
- An accounting system should be developed and used to manage the accounts, record trusts at courts and enforcement departments and record revenues and payments of all transactions.
- The Council should transfer all trusts that have been announced for more than five years without being retrieved into the general revenues account, Ministry of Finance as per the enforcement law No.23, article (23).
- An accounts tree to record all accounts (trusts, surety bonds, witness expenditures, bank accounts, deposits, interest, commissions, etc.) should be developed.

Response of entity

The Council responded within the legal term, and the response was positive.

2. National Authority for Military Retirees

The Bureau audited the National Authority for Military Retirees, where the audit included the compliance with laws and regulations that govern its action, performance of duties as per decree law 77/2009, the application of governance roles and the audit of 2023 financial statements.

Best practices

- The Authority had a plan and action programs set and approved by the general assembly.

- Each of the Authority's branches does audits and reviews of revenues, and reports to the main office.

Significant observations

- There is not database for military retirees and members, to help monitor the individuals who are members and who are not.
- The general audit committee does not perform vested tasks and powers, as per articles of association.
- The Authority does not have an organizational structure and job description that define tasks and responsibilities of staff, prerequisites to fill in jobs and powers of each staff member.
- The Authority's general assembly does not hold periodic meetings (last meeting held 2017).
- The board of directors does not audit the revenues. The financial officer does not record them in books, does not monitor and does not report the collection or spending.
- The legal term of the board (three years) ended 12.05.2019, and no decision has been made to extend for one additional year or elect a new board.
- The board did not have and approve management regulations and rewarding regulations, in order to regulate the spending of Ministry of Finance grant to the Authority.
- The Authority does not have special regulations or instructions to set subscription fees of different military ranks.
- The collection of subscription fees is different from one district to another. There are not unified fees as per military ranks.
- Subscription fees due on members who are not paying are not recorded as accounts receivable.

Significant recommendations

- The Authority and the military central finance administration should be contacted in order to have a list of the retired military staff over the past years, and those should be contacted in order to try and have them join the Authority.
- An organizational structure for the Authority should be set, which includes job description of all positions in departments, sub-departments, divisions and branch offices, and states the responsibilities, powers and nature of the relation between these.
- The general assembly and the board should perform the vested tasks and powers in regulations, in order to ensure effective and efficient progress.
- The board should comply with the articles of association, and should hold periodic meetings.
- The board should audit the revenues, whether in the main office or branch offices, and should perform duties as per articles of association.
- The board should hold elections as per articles of association.
- The board should have and approve special management regulations and rewarding regulations for spending items.
- Special regulations or instructions should be set for subscription fees of various military ranks.
- All revenues of branches should be deposited in bank, and direct spending from revenues cashbox should not be made without depositing in banks first.
- Subscription fees due on members who are not paying should be recorded as accounts receivable, and should be later asked to pay.

Response of entity

The Authority responded within the legal term, and the response was positive.

3. Palestinian Fatwa Authority

The Bureau audited the action of fiscal year ended 2023 and followed up complaints at the Palestinian Fatwa Authority. The audit included financial affairs, management affairs, supplies, warehouses, government vehicles and 'al-Isra'a' Journal.

Best practices

- The Authority raises the religious culture awareness, by printing 'al-Isra'a' Journal, circulated free and online.
- All of the departments have procedures guides, which are updated and improved in partnership with the departments.

Significant observations

- Some items were paid for at amounts less than what is approved in the budget, which indicates that the budget figures and item estimates were not based on academic foundations and actual need.
- The decree law 7/2012 on the establishment of the Authority does not expressly state delegating the grand mufti the powers to issue internal regulations of 'al-Isra'a' Journal. If there should be regulations on the subject, they must be issued by the entity in charge; the council of ministers.
- It was found there is a number of balances in the trial balance for a number of accounts, which did not have adjustment entries to date.
- Some expenditures that exceed 500 NIS in cash were paid from the petty cashbox. Internal missions were recorded and established in the 'means of transport leasing' item. Further, entry vouchers of some procurements were not attached with the 'hospitality buffet' item.
- Most of staff (almost 25% of total employees) could be found in the financial and management affairs department, 59% of total staff of the Authority.
- There are not procedure manuals to facilitate the action and state the chain of command of departments, units and supporting units, and explain the sequence of operations with enforcement of procedures in each department.
- There are personal computers that have been bought in 2021-2022 and admitted into warehouse, but were not distributed to staff.
- There are some administrative misstatements in the management and regulation of warehouses, such as the failure to monitor, supervise, perform warehouse inventories and regulate the records and books, which led to short supply of some items in the inventory committee minutes.
- There is not stamps log, which shows individuals who are assigned with these stamps. District departments of the Authority do not keep a record of all stamps.
- The internal controls are poor, and the internal control unit does not audit all of the Authority's works.
- The rewarding regulations for the civil servants 21/2022 are not complied with, especially the rewarding process.

Significant recommendations

- Budgets should be made based on actual need, so the budget figures would not be overstated.
- The correct accounting policies regarding the budget spending on rewards should be complied with, and expenditures of the Authority should be recorded in the correct items.
- Adjustment entries of all accounts should be made.
- Provisions of the Palestinian financial regulations regarding limits of payment from petty cashbox should be complied with.

- Sound warehouse management protocols should be followed. The records and books stated in law, regulations and instructions of the general supplies department should be used, and an inventory committee should be formed at end of year to perform warehouse inventory, and match the book balance with actual balance in warehouse.
- The government stamps register should be set as per the financial regulations, and should be added to escrows of staff whose work requires stamping. The delivery procedures of stamps should also be regulated.
- The internal control unit should perform the vested tasks (audit works of the Authority, report duly, ensure sound protocols as per the applicable laws and regulations).
- Future appointment should focus on the departments meant to provide the basic service of the Authority; fatwas.
- Provisions of the civil service law regarding office hours of all staff should be complied with.
- Needs for supplies should be accurately estimated, especially personal computers.
- Provisions of the approved Palestinian financial regulations should be complied with, especially regarding the payment of expenditures from petty cashbox, and the categorization of expenditures.
- Provisions of the staff rewarding regulations should be complied with, regarding the committee formation, and the applications advertising, receipt and examining, besides the excellence standards that form the basis of rewarding.

Response of entity

The Authority responded within the legal term, and the response was positive.

4. Action of Salfit governor office, 2023

The Bureau audited the action of Salfit governor office for the fiscal year ended 2023. The audit included the internal control system, financial affairs, management affairs, supplies, warehouses, government vehicles, assistance the office provides and assistance from the social solidarity fund.

Best practices

- The social solidarity fund of the governor office paid college tuition fees for students in need directly from the university accounts. Houses not fit for residence and pose risk to inhabitants have been renovated and maintained, and small empowerment projects were provided to households in need in order to improve living conditions.
- The governor office provided assistance to villages and towns in 2023 within the district boundaries, in coordination with other entities. Many in-kind assistance were provided to households in need, special needs and poor students.

Significant observations

- The internal control unit is not working. It does not make reports about action of departments such as planning, general affairs, councils and public committees on monthly or annual basis, in order to reveal and address the shortcomings or deviations.
- The budget does not include an item for assistance. They are attached to the ‘expenditures of governor office’ item, which leads to unclear spending between allocations of the office and assistance.
- The correct categorization of some financial transactions of expenditures items is not followed, which overstates the balance of some items at the expense of others.

- The standard organizational structure of the office is overstated, and does not suit tasks the office is performing.
- Allocated staff are placed in the security department, because they are not permanent staff in the organizational structure, which might lead to vacancy at any time if the allocated staff were recalled by their security agencies.
- Periodic inventories of fixed assets and warehouses are not performed as per official minutes. The inventory helps reveal and address misstatements in due course.
- Book balances of some warehouse items are not matched with the actual balance, which does not reflect the validity and fairness of book balances.
- Receipt minutes (reports) for in-kind donations are not made upon delivery from donors, which leads to lack of assurance regarding the validity and fairness of the received assistance.
- There are not procedure manuals that explain protocols of assistance received from the social solidarity fund, which might lead to unclear procedures for the receipt of assistance.

Significant recommendations

- The governor office should have the internal control unit operational, in order to ensure the control of all action and propose suitable recommendations to fulfill goals and remedy the performance.
- Budgeting and budget items estimation should be based on academic and professional foundations and accurate information as per actual need, so all departments and units would be involved in this process.
- The financial assistance to households in need should be separate, respective item should be allocated in the budget and the office should communicate with entities in question to do that.
- The principle of downsizing should be followed in the new organizational structure, in line with the government goal on expenditures downsizing. The human resources in the office should suit the vested tasks.
- Annual and unexpected inventories of all supplies should be performed, including the fixed assets and warehouses.
- An employee from the office should be placed in or assigned with the security department, besides the staff sent from security agencies, in order to keep the department running in case the staff from security agencies were called back. Work nature of this department depends on collective experience and knowledge, besides the previous data.
- A book or a special register for the assistance (deposits) should be kept, in order to write down the received, delivered and remaining in-kind assistance (in, out) and the remaining balances.
- Receipt minutes for the in-kind assistance should be made upon receipt from donors, which show items, the receiving individuals, the amount and donors.
- Procedure manuals for all of the solidarity fund action should be made, which should include all procedures for having assistance, whether university students, house renovations or empowerment projects for households.

Response of entity

The governor office responded within the legal term, and the response was positive.

5. Action of Qalqilya governor office, 2022

The Bureau audited the action of Qalqilya governor office for the fiscal year ended 2022. The audit included the internal control system, financial affairs, management affairs, supplies, warehouses, government vehicles, humanitarian assistance, donations and COVID-19 accounts.

Best practices

- Provision of economic and social protection to the poor society groups that do not have resources, care to special needs and maintaining the community peace.
- The internal control unit is making reports about the performance of departments, which include recommendations and suggestions to improve the performance.

Significant observations

- There is not approved strategic plan that includes goals and implementing priorities, from which emerges an executive plan to develop and improve the performance.
- A reverse entry in the amounts of some cancelled payment vouchers was not made. It is meant to undo the transaction and entry in the accounting system, which led to carryover of amounts into ledger account and then into the trial balance, invalid amounts paid in the accounting item and the implementing rate from allocation in the approved budget and inaccurate financial statements and accounting disclosure.
- The payment supporting documents (procurement application, procurement agreements, receipt minutes, supply orders, entry vouchers) of some financial transactions are not complete.
- There is not clear approved process for rewards payment, where these amounts are paid based on a list the governor approves.
- Payment limits for fuel have been exceeded for some vehicles, although they have electronic circuits installed.
- There are not strict controls over the data security and protection. The Fire Wall has expired.
- There are not specific procedures for data transfer security that prevent loss and damage. The antivirus on personal computers has expired.
- Bank reconciliations are not reviewed and signed off by the general manager, or an officer other than the one who made the reconciliation. It was also found there were outstanding items from previous years, but not processed as at 2022 end.
- There is not paper or digital record for the supplies, where items admitted into or discharged from the warehouse are added to or taken off the balance. Thus, the items are not balanced and there are not balances.
- Annual inventories of warehouses and durable supplies are not performed. The inventory findings are not compared with items present and recorded in the central supplies records.
- Some day-to-day employment contracts were directly made, and official procedures (advertising, interviewing, etc.) were not followed, which might lead to misuse of contracts for appointment and placement later on.
- There is not approved and documented process to pay humanitarian assistance. The necessary supporting documents have not been attached with some payment transactions, which prove eligibility to receive assistance.
- There are not procedure manuals and clear approved process to pay cash assistance, which estimate the value of amounts paid based on self-estimates.
- The cash donations the office received during 2023 are not accurately accounted for and documented, which does not provide assurance about accuracy, validity and credibility of the received amounts.
- The in-kind donations the office received during 2022 are not accurately documented. There were no official receipt minutes to show the number, quality, condition and receipt date by the office. That does not provide assurance about validity, size and quality of the received donations.
- There is not clear and unified process to distribute the in-kind assistance in terms of specifying the number of beneficiaries.

- The financial records of COVID-19-related donations and expenditures were not duly used.

Significant recommendations

- A strategic plan that includes strategic goals and implementing priorities should be made. An annual plan to develop and improve the performance should also be made.
- Payment procedures should be followed and the supporting documents should be provided in order to control payments, as per the Palestinian financial regulations. Recommendations of the government regarding the downsizing of spending should be followed.
- The refueling system should be monitored, and any violations should be revealed and addressed duly.
- Clear professional protocols and standards for rewards payment should be approved. They should be about performance and actual achievements of staff, and the financial allocation approved in the budget should not be exceeded.
- Provisions of law regarding the fixed assets inventory should be complied with. Annual and periodic, as well as unexpected, inventories should be performed as per official inventory minutes.
- Appointment procedures as per the law and regulations should be followed. Principle of equal opportunities should be followed, and integrity and transparency should be strengthened.
- Authorizations of data security and protection systems should be renewed.
- Accurate and documented lists of all donations the social affairs department receives should be made.
- All amounts of assistance and cash donations should be supported with documents that prove value and way of disposal.
- There should be approved procedure manuals and clear process based on specific standards to pay humanitarian assistance.
- Necessary supporting documents and receipt vouchers that prove the social status and receipt of paid amount should be attached, and evidence of actual need for assistance should also be presented.
- The receipt of in-kind donations should be documented, which should include the number, quality, conditions and receipt date by the office.
- There should be clear and unified process to distribute in-kind assistance to beneficiaries.

Response of entity

The governor office responded within the legal term, and the response was positive.

6. Action of Jenin governor office, 2023

The Bureau audited the action of Jenin governor office for the fiscal year ended 2023. The audit included the internal control system, financial affairs, management affairs, supplies, warehouses, government vehicles, assistance from the office, grassroots support fund, Mr. President office support fund and complaints follow-up.

Best practices

- An emergency fund was established to deal with the exceptional conditions in Jenin district.
- Assistance was provided to groups that fall outside the scope of Ministry of Social Development. The food packages have been supplied via several organizations.

Significant observations

- Internal controls are poor. Funds of the grassroots support and the Qatari grant, as well as the emergency fund, have not been entered into 'Bisan' government software.
- The internal control department is not working, does not perform vested tasks and does not make reports about departments of the governor office.
- Some advances were not closed in 'Bisan' software due to incorrect procedures followed to close the value of some advances during the fiscal year. These advances have been incorrectly closed in the past, which made them appear as advances recorded but not closed in the software. Moreover, some advances have been paid but not closed.
- There are not clear process and standards to pay rewards. Staff were paid rewards worth more than one-month salary, contrary to the civil servants rewarding regulations 21/2022.
- Late arrival days of some employees in 2023 were not balanced. Morning arrival of some employees is manually recorded.
- A government vehicle was handed to a delegated employee in the office to be used for transport. Fuel was paid for without halting the transport allowance.
- Vehicles belong to former Jenin governor and the governor office transport have been fueled without using the electronic circuit, and without legal basis.
- A public relations officer was appointed without vacancy announcement.
- Term of the delegated military officer to the office exceeded the delegation legal term (three years).
- Some assignments to staff disagree with job descriptions.
- Staff participated in external activities and courses that do not have any relation with nature of the office work, and work nature of the participating staff.
- There are not paper or digital records of supplies and assets in the office.
- There are not documents justifying the assistance payment to citizens. Only the urgent need for the assistance was indicated, and there are not specific standards to pay cash assistance to citizens, the documents that should be provided or groups the cash assistance is targeting.
- Ministry of Finance was not notified of funds the emergency committee collected and were not entered into 'Bisan' software.
- Poor documenting of supporting documents for Mr. President office support fund. The payment directions were not identified, and the financial transactions of this account were not recorded in 'Bisan' software.
- The governor office paid the Qatari grant (500,000 USD) from a bank account outside the government accounting system. The office paid the grant to institutions, municipalities, societies, committees and other entities, based on letters from these entities to the governor office to use the fund.
- The office did not have specific standards to pay the Qatari grant, and did not have controls over payments therefrom.

Significant recommendations

- The internal control unit should be operational. It should control all activities and have periodic reports about action and achievements of departments and units.
- Advances should be correctly closed in 'Bisan' software. Advances that appear in the software as unclosed should be addressed, and the unclosed ones should be closed.
- Payment of rewards to staff from outside the office budget should be stopped. The applicable laws and regulations on rewards payment should be followed, by having clear and specific standards.

- Misstatements should be addressed, and staff absence days should be balanced and deducted from days off.
- Council of ministers decision 10/2017 on regulations for government vehicles in civil sector should be complied with, in terms of using and keeping the vehicles at the office.
- The governor office should announce the vacancies.
- Delegation of military staff that exceeded three years should be ended, and they should be called back to security agencies.
- Status of the delegated military staff should be corrected by having delegation orders issued by the regulations and management agency.
- All of the office staff should be placed on organizational structure, in order to measure and evaluate their performance based on functions. Assignments should agree with nature of job, as per job description.
- The training courses should agree with work nature of the office and staff. Relevant staff should be selected for topics that require experts.
- The public procurement law, regulations and amendments should be followed upon the warehouse management, regarding the supplies management, admission, storage and disposal.
- The governor office should attach all supporting documents for assistance payment. A recommendation from the department in question should be presented before having the governor's signature to payment. Standards of financial assistance payment to citizens should be set, and a 'special budget' item to execute assistance payments should be included.
- Ministry of Finance should be notified of all amounts the governor office collects, whether cash or in-kind donations, and should be entered into the automated financial system. The payment and receipt transactions should be presented to the financial controller for audit and approval.
- Specific standards to pay cash grants and assistance the governor office receives should be set, in order to meet the goal of assistance.
- Funds from grassroots support, Qatari grant and emergency fund should be entered into 'Bisan' software, and should be audited by the financial controller in the office, who is part of the control process over payment.

Response of entity

The governor office responded within the legal term, and the response was positive.

7. Central Financial Administration, staff placed abroad, 2022

Regions where forces of the Palestine Liberation Organization are placed include Jordan, Syria, Iraq, Egypt, Sudan, Libya, Algeria, Yemen and Lebanon. In total, 9854 personnel were not able to go back home (3409 retirees, 4618 staff members, 1473 on rewards-Lebanon, 354 students in several states).

The Bureau audited regions abroad of the Central Financial Administration in 2022. The audit included expenditures of staff placed abroad as at 31.12.2022 and the regions abroad committee.

Best practices

- There is an automated system for payrolls, which is used to calculate each staff payment with effective controls.
- Financial regulations for action in regions abroad are in place.

Significant observations

- The Bureau does not have assurance of work nature, tasks, responsibilities and categories of staff in regions abroad, as entities in question do not have any data.

- Most of staff could be found in Lebanon (92% of total staff). Salaries take most of expenditures (up to 86%).
- The majority of retired staff could be found in Jordan (39%).
- Some staff are over legal retirement age (60), especially in Syria. They work in the Red Crescent Society due to absence of another employment.
- No laws or regulations for expenditures of financial branches. A committee has been formed to set expenditures regulations, which is in progress.
- Most of expenditures are advances, which have not been closed since 2017 as at audit date.
- Expenditures of operating budgets for military attaches are closed without supporting documents.
- The purpose of allocating some of financial branches' expenditures is not clear. The process followed to spend these advances is not also clear, such as the 'governor management' advance in Egypt financial branch.
- The supporting documents for social allowances payment (spouse, kids) of some staff were not presented.
- There is not anything indicating that the committee formed to set financial regulations and close financial advances has any findings, whether meeting minutes, achievements or recommendations.

Significant recommendations

- Work nature, tasks and achievements of staff abroad should be explained.
- The committee should document the meeting minutes, findings and recommendations, and should fulfill the vested tasks as soon as possible.
- Detailed regulations on expenditures of financial branches in regions abroad should be set and approved.
- All advances regarding the regions abroad should be closed.
- All supporting documents should be presented when closing the advances of operating budgets for military attaches, as per laws and regulations.
- Nature of spending for all advance items should be explained and closed duly.
- All supporting documents for salary payment should be presented.

Response of entity

The Administration responded within the legal term, and the response was positive.

8. Palestinian Maintenance Fund

The Bureau audited works of the Fund for the fiscal years ended 2022 and 2023. The audit included the financial affairs, management affairs, revenues, expenditures and transfers for beneficiaries.

Best practices

- There is an external auditor, and financial statements on action of the Fund are released.
- The Fund employs trained human resources (legal, financial).
- Legal assistance is presented to beneficiary groups. They are represented before courts in order to claim their rights.

Significant observations

- The Fund does not have sufficient data on numbers of beneficiaries legally covered. The Fund depends on cases referred from entities in charge, and the number of active files reached 1008 as at 2023 end, distributed across districts with total 15,379 beneficiaries.
- Convicts do not pay due amounts. 2,233,107 NIS were collected in 2023 (25% of dues on convicts), whereas 2,421,456 NIS were collected in 2022 (11% of dues).
- Debts increased in 2023 at 2,947,700 NIS (116.5%) over 202, whereas they reached 5,478,171 NIS in 2023 and 2,530,471 NIS in 2022. This does not help the Fund fulfill all due obligations in the future.
- There is not separation of powers between responsibilities of the executive management and the board. Tasks of the general manager (executive management) have not been explained, where it should be mentioned that responsibilities of executive management –as stated in the Fund's management regulations- include enforcing the board decisions and running the Fund affairs.
- The Fund does not have regulations regarding powers and roles of senior management (the board, executive council, board head), the relation with executive management and accountability powers.
- The Fund does not have internal control unit or function. Action of the Fund is not audited.
- Debts of 2023 increased by 43% over 2022, due to lack of enforcement rulings by courts in charge.
- Total revenues increased in 2023 at 1,395,439 NIS, a 15% drop from 2022.
- The Fund did not take sufficient measures with sharia courts in lawsuits that involve maintenance rulings.
- Amendments to salary scale of the Fund have not been presented to the council of ministers for approval and release (approved by the board), contrary to council of ministers decision 133/2017, article (16).
- There are arrears (2,277,788 NIS) as at 2023 end in the shape of due to beneficiaries.
- The board did not have an adequate number of regular meetings. The year 2022 did not see any meetings, and only one meeting was held in 2023, contrary to management regulations.
- The board did not present every three months reports on action, meetings, amounts paid and assets of the Fund to the council of ministers, contrary to council of ministers decision 15/2017 on executive regulations of the Fund, article (133).

Significant recommendations

- The Fund should expand the database with effective communication with all partners, and should have field surveys in order to reach all society groups, especially in remote places.
- Sufficient communication should be established with sharia courts regarding the maintenance court rulings, and electronic connection should be in place.
- A system to provide all partners and stakeholders of the Fund with data and information about performance should be developed, in order to enable decision-making, and enhance accountability and knowledge to have projects to support the sustainable development.
- Internal regulations or law should be developed regarding action of the Fund, especially the powers and relation of senior management (the board, executive management, board head), the relation with executive management and accountability powers.
- The board should have comprehensive evaluation of all activities in past years, in order to reveal strengths and weaknesses (financial, management, technical), and have policies with measures to help the governance of action.
- The Fund should have an internal control unit to carry out financial and management audits.

- The Fund should have effective investments with stable revenue to cover obligations to beneficiaries.
- The Fund should have the amended financial regulations (salary scale) approved by council of ministers, in order to have it released as per law.
- The board should hold meetings as per law of the Fund, and should present reports on financial findings to council of ministers as per council ministers decision 15/2017 on executive regulations of the Fund, article (133).

Response of entity

The Fund responded within the legal term, and the response was positive.

9. Trusts of rulings enforcement, Ramallah Sharia Court, fiscal year ended 2023

The Bureau audited the trusts of court rulings enforcement in Ramallah sharia court for the fiscal year ended 2023, as per compliance audit rules that include comparing the financial and management action with applicable and effective laws and regulations.

Best practices

- There are unified templates for enforcement procedures, which include all action, decisions, correspondence and enforcement notifications, in order to circulate them to all sharia enforcement department in the State and Palestine, unify the procedures and regulate the action.
- There is a process to balance and electronically transfer the amounts paid by debtors to accounts of beneficiaries, to save citizens the effort, time and resources.
- A clear process to handle the enforcement files is approved. It starts from moment of receipt until processing and payment are finished. It ensures regulated, accurate and quick action, valid enforcement procedures and protected rights of citizens.

Significant observations

- The enforcement department does not have documented procedure manuals, to serve as regulatory reference for the sharia enforcement law in courts, and insurance of staff compliance with the guides.
- The court inspection department does not have reports of the enforcement department work in terms of trusts.
- There is not a register of trusts' accounts to record the paid and refunded trusts.
- Trusts are not categorized by type and purpose, such as maintenance for wife, residence, spousal conflict, custody of children, education, house rent, waiting period, adult son, etc.
- 'Bisan' accounting software is not used, and data of trusts is not entered thereto.
- Financial data of some trusts is not recorded in 'Mizan' software. All enforcement lawsuits are entered and archived in software, taking into consideration that 'Mizan' is a lawsuit management, not accounting, software. Thus, it cannot be used to audit the trusts from an accounting perspective, as it does not meet the accounting needs of the department.
- The category of lawsuits as per type of enforcement document is not recorded in 'Mizan' software.
- Receipt orders with serial numbers printed out beforehand are not used. They could be used to determine the amount the convicts should pay. However, the printed out books that do not bear

serial numbers are used, and receipts are given to convicts to present to banks in order to pay, without sequence of these books.
- There is not a special cheques register, which includes the status of all cheques received from banks (issued, lost, canceled, unused). There is not list of numbers of cheque books received and used in 2023.
- The financial department in sharia court does not have a metal safe to keep cheque books and amounts of enforcement fees. There are not necessary means of protection for cash and documents of financial value.
- Regarding the management and depositing of trusts' bank account, it was not clear whether the trusts are deposited and if interest is calculated in the current account or the trusts. No competition was announced to manage these funds if they entail certain investments.
- There are not rooms for the archive use in order to keep lawsuit files, whether the paid or abandoned, besides the documents, forms and financial registers used separately from enforcement department. The rooms used as archives are not sufficient and unsuitable.
- No archive keeper from outside the financial department has been appointed. They have to follow judges in courts, in order to carry over, receive and discharge the files and as per entry/discharge documents.
- The archive keeper does not perform digital archiving of the financial documents as per the approved archiving regulations, contrary to the Palestinian financial regulations, article (9.2).

Significant recommendations

- Written procedure manuals for the enforcement department, especially trusts, should be developed, to serve as regulatory reference for the sharia enforcement law in courts, and insurance of staff compliance with the guides.
- An accounts tree for the trusts account and all kinds of received deposits should be developed.
- A register for the courts' trusts with categories as per nature should be set.
- The 'Mizan' software should be developed, in order to manage the accounts and financial transactions (receipt, refund) in all forms. Alternatively, an accounting software to manage the trusts in enforcement departments should be developed.
- Courts should comply with provisions of the Palestinian financial regulations of 2005 with amendments for ministries and public entities, regarding the receipt orders (issue, approval).
- All amounts resulted from the trusts account should be refunded, as they are rights to others held by courts.
- A cheques register should be set, which should include status of all cheques received from banks (issued, lost, canceled, unused).
- The financial department in sharia court should have a metal safe to keep cheque books and amounts of enforcement fees. The necessary means of protection for cash and instruments of financial value should be provided.
- A committee for proper trusts management should be formed as per decision jointly taken by Ministry of Finance, the Supreme Judge Department and all stakeholders. This committee should set a regulatory and legal framework.
- General competition among all operating banks to manage the trusts funds should be announced.
- All matters regarding the trusts management (deduction of commissions, fees of bank transfers) should be regulated.
- Tasks of the archive keeper in courts should be assigned to a competent officer.

- A digital archiving process and a special digital archiving software should be approved, in order carry over, receive and discharge files as per special documents.

Response of entity

The Supreme Judge Department did not respond to the report.

10. Supreme Judge Department, fiscal year ended 2022

The Bureau audited the action of Supreme Judge Department for the fiscal year ended 2022. The audit included the financial affairs, management affairs, supplies, warehouses, government vehicles, Nablus sharia court and legal arbitrators.

Best practices

- There are professional and ethical standards that regulate the work of social workers at family guidance and reform department.
- Data of the Supreme Judge Department and sharia courts are automated and archived, in order to save the effort and resources, and to improve and ensure the service provided.

Significant observations

- The internal control unit in Supreme Judge Department is not operational, and its staff are not placed to perform the vested tasks and powers.
- Financial allowances are paid to escorts of the Chief Justice, contrary to council of ministers (01/65/12/C.M.)/2008 and amendments on financial allowance to escorts (number).
- There are not clear process and standards to pay rewards, contrary to civil service law, article (56).
- Four employees from the Department were present at a training course in Egypt for the Palestinian imams, based on exception decision by council of ministers.
- Expenditures that do not belong to the Department have been attached to its budget, especially regarding the Egypt travel of dean of Azhar institutes, taking into account the Azhar institutes do not follow the Department.
- There is not an accounting software to collect fees generated from transactions, but the books are manually processed.
- A number of positions included in the job formation chart in the Department were replaced after the Chief Judge wrote to the General Personnel Council.
- The Department placed 22 of the contracted staff who have been directly hired, without advertisement or competition.
- 21 staff were directly hired on day-to-day basis, without announcement or competition.
- An employee has been hired in ‘driver’ position in Hebron enforcement department on day-to-day basis, although the courts in districts do not have government vehicles.
- Staff in the old organizational structure were not placed in the new one, as from the approval date of the Department’s job descriptions.
- An employee has been directly delegated to the Samaritan Museum, Nablus, although the museum is not a government entity.
- Some government vehicles have been handed to the Department, contrary to council of ministers decision 10/2017 on government vehicles in civil sector, article (3).
- The Department’s transport vehicles do not bear identifying logos.
- Government vehicles have been brought in from other entities for the Department’s use.
- The transport vehicles did not have their plates changed from green into red.

- The Department does not make an annual procurement plan, which should include procurements to be made during the year, with type, estimated cost and timetable.
- Periodic documented warehouse inventories as per official minutes are not performed.
- The Department does not have paper register of fixed assets, but the annual inventory and Excel sheets –which could be modified in annual inventory- are used.
- There are not special regulations for sharia arbitrators.
- The law does not state the fees to be paid, by whom and who files lawsuits in order to assign the arbitrators.
- A bank account for the arbitration fees in sharia courts was not opened, where fees of arbitrators could be kept in the metal safe at courts and directly spent.
- The 5% was not deducted off the amounts paid to arbitrators, contrary to instructions 8/2012 on tax deduction from source, article (9).
- Most of arbitrators are government staff, who practice the profession without consent from council of ministers.
- There are not standards or equal distribution of lawsuits to arbitrators, so everyone can receive the same number of lawsuits in the same month. There is not a queuing register that Department can follow.

Significant recommendations

- The internal control unit should be operational to audit the action of Department.
- Actual needs of the Department should be taken into consideration upon estimating the budget items, which should be based on academic basis.
- Clear professional process and standards for rewards payment should be approved, which should be related to actual performance and progress of staff.
- Financial obligations regarding non-hosted training should not be taken, as per council of ministers decision.
- Travel missions should be assigned to only staff of the Department.
- The Department should have an accounting software for all sharia courts, and should be connected with the main office.
- Job descriptions chart, approved by council of ministers, should be followed. In case of urgent need for some amendments, they should be done as per applicable laws and regulations.
- Permanent staffing should not be restricted to staff hired on daily basis, who were brought in without advertisement or competition in the first place.
- The Department should advertise the vacancies in daily newspapers and the website of General Personnel Council. Competition for employment should be open to all.
- Appointments should be made based on actual need, not positions the Department does not need.
- All staff should be placed on the new organizational structure of the Department, which considers the academic qualifications and job descriptions to fill in the jobs.
- Civil service law and its executive regulations should be followed upon the delegation of staff to other government entities.
- Regulations for government vehicles in the public sector should be complied with, regarding the handover of vehicles to eligible officials as per the stated numbers. All vehicles of the Department should bear special identification plates as per regulations. Vehicles acquired from other entities should be addressed, as per regulations for government vehicles in the public sector.

- Annual needs of the Department should be documented, by instructing district department separately and collecting them in the annual procurement plan.
- Annual and unexpected inventories of all assets, including fixed assets and warehouses, in the Department should be performed.
- Records of all fixed assets in the Department should be kept, and item cards for all assets and supplies in the warehouses should be organized.
- Special regulations for sharia arbitrators should be set and approved as per law, after having them prepared by council of the Department.
- A bank account to deposit funds collected from litigators before paying to arbitrators should be opened.
- The financial department should deduct tax off amounts paid to arbitrators, as per instructions in this regard.
- Civil servants who work as arbitrators should obtain necessary approvals before practicing this profession, as per applicable laws and regulations.
- The Department should set the necessary conditions that arbitrators should meet (academic qualifications, experience, written exams, interviews), to ensure capacity to perform assigned tasks, in agreement with sharia rulings.
- Queuing register in sharia courts should be in place, which ensures equal distribution of lawsuits to arbitrators placed in each court. The use of arbitrators from another court should be coordinated between sharia courts.

Response of entity

The Supreme Judge Department responded within the legal term, and the response was positive.

11. Revenues of consular attestations, Ministry of Foreign Affairs & Expatriates, 2023

The Bureau audited the revenues from consular attestation fees in Ministry of Foreign Affairs & Expatriates, as per the compliance audit rules that compare the financial and management conduct with applicable and effective laws and regulations. This report addresses the attestation process at the Ministry, embassies and diplomatic missions, and the compliance with relevant laws, regulations and council of ministers decisions.

Best practices

- There is coordination with Ministry of Justice regarding the powers of attorney issued by our diplomatic missions abroad, and validating the powers of attorney and deeds of inheritance that people present.
- Ministry of Education and the general applied education agency are contacted regarding the validation of academic certificates mentioned in inquiries of foreign missions to Palestine, and the endorsement of school certificates.

Significant observations

- The Ministry does not conduct studies on actual need of stamps. It was found during the audit there is a huge number of stamps in the Ministry of Finance warehouse, not fit for use anymore.
- The Ministry did not have procedure manuals that show the process to be followed upon attestation. This process is randomly performed, as documents could be attested before, or without, stamping. Stamps are considered internal control procedure for collecting the fees.

- The Ministry does not have a register to record all transactions that have been attested and processed, whether manually or digitally.
- The Ministry does not have a special record for fee-exempt transactions.
- Embassies abroad do not transfer funds and revenues collected as attestation fees to Ministry of Finance.
- The Ministry does not follow up the revenues collected by embassies abroad. The Ministry does not have data that could be used for audit.
- The Ministry does not coordinate with the national fund regarding the attestations and revenues collected abroad. The data acquired are only for revenues collected domestically.
- There is not software to record stamps and receipt books handed to offices, but recorded on Excel sheets.
- The internal control at the Ministry unit does not audit the transactions of attestations in the attestation department.

Significant recommendations

- The Ministry should conduct studies on actual need of stamps, and a committee to consider the actual need of the following years should be formed.
- The Ministry should have unified procedure manuals that show the process to be followed upon attestation, from the start until the stamping.
- The Ministry should have a special register for all fee-exempt transactions with reasons, and a copy of supporting documents should be kept.
- The Ministry should have a consular register of all transactions processed, and should be connected with embassies to make attestations, access when necessary and audit easier.
- The Ministry should ask the national fund to present periodic reports about the amount of stamps handed and the amount the fund keeps, and should coordinate with Ministry of Finance in order to transfer the attestation fees at the national fund to the unified revenues account.
- The Ministry should contact the embassies abroad in order to provide periodic financial reports about attestations they perform.
- An independent committee should be formed of different ministries in coordination with Mr. President Office and council of ministers, in order to review all stamping fees supplied by the Ministry to the national fund. The amounts the national fund did not transfer to treasury should be accounted for and collected.
- The Ministry should have a software to record transactions of stamps, in order to give confidence in reports it releases.
- The internal control at the Ministry should audit the action of attestations department, and should control and periodically report the movement of stamps.

Response of entity

The Ministry responded within the legal term, and the response was positive.

III. Social & Cultural Services Audit Department

	Report
1	Ministry of Education, office hours and days off, 2023-2024
2	Ministry of Education, financial statements of year ended 31.12.2020
3	Regulations for issuing health insurance cards: 1. Ministry of Health 2. Commission of Detainees & Ex-detainees Affairs 3. Ministry of Social Development 4. Palestinian General Federation of Trade Unions 5. Colonization Wall Resistance Commission 6. Martyrs & Injured Families Care Fund 7. Hebron Rehabilitation Committee 8. Palestinian General Union of People with Disability
4	Compliance of Alia Government Hospital staff with office hours, 2023-2024
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7	Pilgrimage of 2024/ 1445 AH
8	Nablus Central Zakat Committee, 2023
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12	Ministry of Agriculture, National Agricultural Research & Guidance Center, 2022

1. Ministry of Education, office hours and days off, 2023-2024

A compliance audit was performed for a sample of education district departments over the compliance of teachers with in-person and online classes, days off and weekly quota of classes from 2023-2024.

Best practices

Ministry of Education is improving the management performance in schools and is controlling arrivals and departures. The Ministry is using effective control systems for office hours of teachers ('Mename' software, electronic fingerprinting), and is improving the management planning by unifying the procedures of office hours and days off. Integrity and transparency are enhanced with periodic reports, and the human resources management is improved by reducing the reliance on paper records and controlling the office arrivals/departures, in order to ensure more efficient education environment.

Significant observations

Office hours of staff

- Most of schools rely in following up the office hours on paper records, as they do not have electronic clocks. If present, these clocks are not effective and not connected with the management affairs department at education district department.
- There is not unified process to monitor the office hours of teachers. Some education district departments do not require their schools to have office hours reports each month, whereas other district department are doing this.
- Schools have different electronic timing (fingerprinting) systems. Some of them only support fingerprinting while others support both eye and fingerprinting.
- Ministry of Education does not have instructions as to period for keeping manual office hours logs of school staff.
- Most of schools do not have approved paper forms for official and private leaves during office hours. If present, they are not entered into the monthly office hours' reports.
- Most of school principals do not present lists of morning delays and private leaves to district departments, in order to have them deducted off the days off balance or payrolls.
- Some management affairs sections in district departments do not perform inspection rounds to ensure that teachers are complying with office hours.
- Some staff members in schools do not sign off at end of official hours, by either fingerprinting the electronic clock or signing the paper log.
- The daily office hours' record (arrivals, departures) for some teachers does not match the monthly record presented to the education district department.
- Teachers who work part-time at some schools from the sample did not have their office hours established in daily records in any of the schools where they work.
- The technical support department in some district departments does not respond to complaints regarding breakdowns of electronic clocks.
- Some teachers frequently arrive late in the morning without justifications explained in daily arrival/departure report.
- Some principals do not sign off the office hours' record as per the official start time (07:30 am).

Days off

- Some teachers did not enter their days off into the 'Mename' software, contrary to instructions in this regard.

- Some days off entered into the ‘Mename’ software are not attached with documents that duly support their days off.
- Some education district departments do not have monthly office hour lists with matched days off data, with what is entered into the ‘Mename’ software.
- A number of days off for some teachers are deducted off payroll.
- Some teachers did not complete all days off procedures in the ‘Mename’ software, in terms of requesting, approving and attaching all supporting documents.
- It was noticed that some teachers were absent without applying for unpaid leave. The leave is entered into the ‘Mename’ software when back to school, contrary to Ministry of Education instructions, which state that the unpaid leave must be applied for two week beforehand.
- Some teachers have been given emergency leaves, approved in the ‘Mename’ software, for more than 10 days during the year, contrary to civil service law 4/2000, article (82.2).
- Some teachers have been given days off on exceptional basis for more than three consecutive days, contrary to the management instructions approved by Ministry of Education.
- It was noticed that a great number of teachers had sick leaves for days that exceed the school year, which might affect the education process. Those teachers are referred to local medical committees, which might recommend the transfer from teaching to a management position, requiring the Ministry to appoint or provide substitute teachers.

Teachers’ quota of classes

- It was found that the quota of some teachers is less than what is approved as per Ministry of Education instructions.
- There is a number of teachers who had their quota reduced due to chronic illnesses, others have been appointed under ‘disability’. Either way, some of those teachers have difficult health condition, and we did not have assurance regarding their capacity to perform the assigned tasks.
- It was found that some schools have more education positions (part-time, full-time) due to reduced classes at the level of entire school.
- Deputy principals at some schools were given discharge classes at more than what the instructions state, or had quota less than what is required every week, contrary to instructions on school formations for school year 2022-2023, article (3).

Online classes with ‘Teams’ Software

- ‘Teams’ is the approved platform for online education at Ministry of Education. However, some teachers use other software such as ‘WhatsApp’ and ‘Meeting’.
- There are not written periodic reports with a special form to follow up the teachers who give weekly classes via ‘Teams’.
- Some teachers do not give classes via ‘Teams’ at all, others have very few classes via this software, which varies from one school to another.
- There are huge differences between the percentage of each teacher in online classes, in terms of the number and duration of classes compared with teachers in the same school as well as other schools.
- Some school principals did not take action against teachers who are not complying with ‘Teams’ classes, by presenting their lists to education district departments.
- There are not unified instructions to schools that state prioritized tasks to be given via ‘Teams’. There are not also instructions that specify the duration of classes and weekly quota per teacher.
- There is not adequate control by district departments over the compliance of teachers with ‘Teams’ classes.

- The ‘Teams’ was not updated so principals, education supervisors, internal control or the management could validate the compliance of school with daily classes by means of one interface.
- The cluster supervisors cannot attend or cover the online classes of school during the week, due to the many classes per school and the cluster schools as a whole, too much over the capacity of each supervisor.

Significant recommendations

- Electronic clocks should be provided for all schools that do not have them. These clocks should be reactivated in schools that do not have them active, and should connect them with the human resources sections in education district departments.
- Monitoring of the most of schools should be unified by preparing and auditing monthly aggregated time lists for all schools by secretaries, and then sending them to the management affairs sections in education district departments for duly audit.
- The fingerprint clocks and system should be unified in terms of devices and systems used for all public schools.
- The official and private arrival and departure time slot should be active in the fingerprint electronic time systems.
- A list of morning late arrivals and private departures should be prepared for all school staff and presented to the management affairs sections in education district departments for deduction from payrolls of teachers. For management staff, they should be deducted from leave balance, and when the leave balance expires it should be deducted from salaries.
- The management affairs department must conduct periodic inspections, based on the information it receives, to ensure that principals are implementing instructions regarding the compliance with fingerprinting or signing the manual records.
- The necessary and adequate training should be conducted for school management staff, providing them with sufficient experience to use the ‘Mename’ software, have reports and quickly request attachments or supporting documents uploaded to the system.
- Management staff and teachers should sign the daily attendance report at the start and end of each day, by fingerprinting the electronic clock (entry, exit) or signing the paper record. The school principals should follow up this and take the necessary action.
- The school principals and secretaries should compare and verify the daily attendance report with the monthly aggregated attendance report before sending it to the management affairs sections in education district departments.
- The technology department in education district departments should respond to school complaints to remedy and document any breakdowns in the electronic clock system.
- Teachers should request leaves via the ‘Mename’ software, obtain the necessary approvals via the same software and attach the necessary supporting documents before the leave is taken.
- Each school principal or secretary should verify the days off entered in the daily and collective school attendance, leaves record, and the leave records entered in the ‘Mename’ software.
- Management affairs should duly verify the days off entered in the monthly collective time lists with the days off recorded in the ‘Mename’ software.
- Unpaid leaves should be requested two weeks in advance.
- Teachers' days off should be deducted from their salaries in case of absence, and should be deducted from the days off balance for management staff. If days off are exhausted, they should be deducted from salaries, in compliance with the Ministry of Education's instructions.

- Education district departments and schools should comply with the Ministry of Education's instructions regarding granting casual and exceptional days off to teachers.
- The process for handling sick leave should be reviewed, with controls in place to limit inaccurate medical reports. The decision to refer an employee to a medical committee to verify medical condition should be taken by the Ministry or district department, which should have the authority to take the appropriate decision.
- Sick leave transport allowances for teachers should be deducted, regardless of the number of days, in accordance with provisions of the civil service law.
- The classes' quota should be distributed to teachers as per the Ministry's instructions, in order to ensure fairness and equality among teachers.
- The distribution of deputy principals in schools should be as per the Ministry of Education's instructions.
- The Ministry of Education should form a special committee for teachers with chronic illnesses, which should have among its powers taking measures to reduce the class schedule after being reviewed by a higher medical committee. If the latter decided that they are unable to perform their duties, they should be duly given early retirement.
- The minimum number of online classes for the subjects taught daily should be set, or a percentage for the number of online meetings should be determined.
- All school principals should be required to prepare periodic documented reports on follow-up of the attendance of teachers who are teaching online classes and those who are not, and should determine the percentage of classes taught and the percentage of students attending 'Teams' classes.
- The Ministry of Education should consider other distance learning platforms, such as 'WhatsApp' or other platforms, and should decide whether to approve them or require all teachers to use only 'Teams' for distance learning.
- All school principals should be required to present a list of teachers who are not teaching online classes, and should take administrative action against them.
- The punitive measures taken in the event of teacher negligence or non-compliance should be reconsidered, to ensure they are effective and deterrent. In such cases, days of abstention from online classes should be considered unpaid leaves.
- District departments should ensure adequate control over teachers' compliance with the required 'Teams' classes.
- The 'Teams' platform should be developed so the principals, education supervisors, internal control or management entities can monitor the school's compliance with daily classes.

Response of entity

The response was positive and agrees with what is mentioned in the report. Ministry of Education has a circular that requires staff and district departments to establish the office hours by means of the software.

2. Ministry of Education, financial statements of years ended 31.12.2020 & 31.12.2021

The Bureau is responsible for annual financial audit and compliance audit over the Education Development Strategic Plan (2017-2020), as per powers and tasks entrusted by law. To that end, the Bureau contracted with an international audit firm, where the Bureau supervises the audit execution, monitors the contracting conditions and reviews audit procedures and audit file.

Best practices

Ministry of Education receives a number of grants and financial assistance from different donors, besides the finance from the Palestinian Ministry of Finance. At the start if each fiscal year, various departments at the Ministry of Education make financial plan for the size of requirements necessary through the year, with value and description as part of the Ministry's comprehensive financial plan. The Ministry makes quarter and annual reports, where an increasing improvement has been noticed in the process and quality of its financial statements.

Significant observations

Qualified opinion of the Bureau to the financial statements

A qualification was expressed to the financial statements of Ministry of Education for the years ended 31.12.2020 and 31.12.2021, as per the following observations and notes:

- Ministry of Education uses other records rather than the consolidated regular accounts to record the bank accounts of district departments, and to record some revenues like the school donations revenues. Financial statements of the Ministry do not include and disclose the revenues from in-kind donations from local community and school expenditures paid by municipalities, whether from education tax or from municipalities' own resources;
- Ministry of Education does not have direct control the over the revenues and expenditures associated with education tax (managed by local government entities), and are not included in the financial statements;
- Ministry of Education did not disclose compliance of senior management levels in the Ministry with presenting declarations regarding possible conflict of interest in contracts the Ministry has with private sector;

Governance at the Ministry's level

- Ministry of Education does not so far have applied systems for the strategic monitoring of assets and stock;
- The risk record the Ministry of Education maintains needs updating. Senior management of the Ministry does not include an officer specialized in risk management and effective risk management systems. The internal control system was not sufficiently risk-based.

Planning & estimated budgets

- The plan approval was delayed, which hampers inviting to and monitoring the bids, the district departments' work and execution of projects planned by the Ministry.
- Many budget allocations were not used adequately.
- There have been payments without financial allocations, which constitutes poor payment procedures.
- The Ministry does not set and send internal progress reports to departments in question; in order to follow up the unimplemented items and to justify why there were not implemented.
- Causes of deviations in previous years are not considered in order to avoid them in the running year.

Financial statements & trial balance

- The Ministry does not set regular financial reports, such as the annual report, accounts reports or quarter reports.
- Trial balance of the Ministry does not match the Ministry's trial balance taken from Ministry of Finance.

Banks & bank reconciliations

- Bank transactions for finances are not reconciled. A reconciliation is made between Ministry of Finance and Ministry of Education for the 'zero-based account', which the Ministry of Finance uses for payment transactions with other ministries.
- There are uncontrolled bank accounts that have been classified in the financial records as controlled.
- Approvals were not obtained from banks the Ministry deals with and from donors.

Closing & carryover of the financial accounts

- Accounts of the Ministry were not closed at year-end, contrary to the budgeting and financial affairs law.
- The trial balance of the Ministry of Education does not include the transactions and reconciliations the Ministry of Finance performed.

Closing the financial advances

- Advances to district departments recorded as expenditures during 2020 were not closed, due to the delayed supporting documents. They reached 95,097,589 NIS in 2020 and 43,518,935 NIS in 2021.
- Closing the advances of district departments takes long time between the execution of transaction and presenting all supporting documents for approval.
- The Ministry does not have a reliable monitoring system for the outstanding advances, where the present developments in the monitoring tracking system could not be matched with the advances in 'Bisan' software.

Disclosure & responsibility

- Ministry of Education does not control the revenues and expenditures of the education tax, which the local government entities are managing.
- Donations from students and contributions from parents are not recorded in the government accounting software, but only in the Ministry's accounting software. Their revenues and expenditures are not disclosed.
- All indirect grants and donations and in-kind donations (land, buildings) are not recorded in the Ministry's records.

Management of financial accounts

- There Ministry of Education's financial system does not have powers to record some grant revenues and issues relevant account statements.
- Ministry of Education is not aware of how the currency difference entries are made at fiscal year-end, which are prepared by Ministry of Finance.
- Some attachments of payment vouchers do not match the value of payment document, without memos that justify the modifications made.
- The payment supporting documents (maintenance guarantees, well implementing, source deduction, insurance policy, no-debt) are not complete.

Bids & warehouses

- Some files of bids lack supporting documents, such as referral note, maintenance guarantees, staff insurance policy and the agreement. Some of them do not have a copy of tax voucher and source deduction.
- There are not software or process to monitor the bids and determine the phase the bid reached and time the bid took.
- There are agreements and contacts made with suppliers in procurements with quotes for amounts ranging from 3,000 – 20,000 USD.

- Files of bids do not have sequence order, and these files are not indexed to show content of each file.
- Schools of the Ministry do not have automated warehouse software, but use manual logs.

Fixed assets

- The fixed assets do not have serial numbers, and are not recorded in detail in the accounting software.
- The Ministry did not perform inventory of fixed assets at 2020 end in departments, schools and district departments.
- Not all documents of land ownership and title deeds of land the Ministry owns are archived, besides any other main documents for the Ministry's assets.
- Attachments of renting expenditures are not complete, such as the estate title and no-debt. Some of them are not audited and approved by the legal department.

Significant recommendations

- The Ministry should account for all revenues and expenditures of education in Palestine, so the decision makers can understand the full scope of education expenditures.
- Policy and procedures to report fraud, waste of resources or misuse of the Ministry's resources and properties should be developed.
- Ministry of Education should enhance the financial reporting capacity, and should have a plan to make financial statements of subsequent years.
- The closing statements should be made in line with the international standards. Only the banks the Ministry monitors should appear, and the opening balances should be modified in line with the new presentation method.
- All advances should be closed before end of fiscal year. In case the need for advances continues at year-end, it should be paid again. Ministry of Education should develop an effective and firm system to monitor the unpaid advances, and should disclose the balance of advances in its periodic accounts.
- Ministry of Education should officially request the municipalities to present reports about the balance of education tax and how much the municipalities spent on schools from the education tax account. The municipalities should coordinate and monitor the records of education tax collection, regulate collection and spending of these revenues and expenditures and include them in the Ministry's budget. Revenues and expenditures should be audited by internal control unit and external entities, should report to the Ministry and should have consolidated financial statements of all education tax revenues and expenditures in Palestine.
- Revenues and expenditures of in-kind/cash donations and contributions from parents should be recorded in the government accounting software, as they represent one of the Ministry's revenue items.
- Expenditures should be recorded in respective fiscal year, and accounts of previous years should be closed and should not be modified in subsequent years.

Response of entity

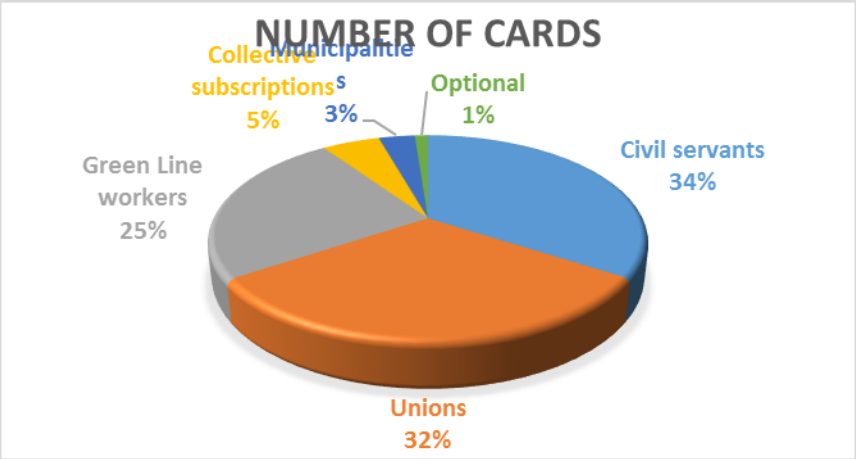
The response was positive and agrees with what is mentioned in the report.

3. Regulations for issuing health insurance cards

A compliance audit has been carried out over the regulations for issuing the health insurance cards in Ministry of Health and some beneficiaries and partners, as per the groups stated in

regulations of 2022. The number of health insurance cards of all forms and groups reached 249,931 as at 2022 end, with total beneficiaries of 883,655, as shown in table below:

Insurance	No. of cards	No. of accompanies
Civil servants	85,371	196,381
Unions	78,676	196,217
Green Line workers	61,944	190،421
Collective subscriptions	12,885	27,614
Municipalities	8,076	19,716
Optional	2,953	3,375
Optional (student)	26	0
Total	**249,931**	**633،724**



Best practices

Ministry of Health introduced improvements to the health insurance regulations, which helped enhance the internal control and develop action protocols. These improvements include clear circulars about the health insurance process for the Palestinian visitors, suspend the frozen accounts with respective collection claims, issue the health insurance card only after dues payment, separate the payment sources of different groups to ensure transparency and require the health insurance deduction from heirs. Regarding the electronic services improvement, the Ministry enabled the government hospitals to inquire about health insurance, and connect the system with treatment abroad unit and ministries of interior, labour and social development. This connection was expanded to include other entities such as the Commission of Detainees & Ex-detainees Affairs, Martyrs & Injured Families Care Fund, General Personnel Council and Ministry of Finance. Entities with collective subscription choice were given the powers to inquire about insurance of their members.

Significant observations

Evaluation of general health insurance policies

- Poor compliance with the health strategy for 2021-2023 regarding the amendment and development of the government health regulations, in order to consider all necessary changes and requirements.
- There is not clear and approved written policy stating the Ministry of Health protocols to deal with partners upon issuing the government health insurance. There are not written action protocols and controls to regulate issuing government health insurance, especially the free health insurance.

- Data of health insurance card numbers are different between some beneficiaries and partners on one hand and Ministry of Health on the other hand. There is not electronic connection to ensure sound protocols and accurate data.
- There are not documented and approved field visit reports, and the controls of some beneficiaries regarding the free health insurance are poor.

Free insurance

- Some health district departments granted free health insurance to some individuals, even though they did not meet the disability percentage approved to grant free health insurance to people with disabilities.
- Ministry of Social Development granted free health insurance to some beneficiaries without presenting documents that support this need, which does not provide adequate assurance about validity of the beneficiaries' lists.

Insurance of entities & unions

- Detainees who are paid from the treasury are exempt from health insurance subscription fees, whereas other detainees who hold government positions are required to pay these fees.
- Poor protocols followed by Hebron Renovation Committee to determine the beneficiaries from health insurance, especially residents of Hebron old city. These protocols lack the legal basis that gives the Committee the absolute powers to take these protocols.
- Poor protocols followed by the Colonization Wall Resistance Commission to check actual places of residence in order to ensure that the beneficiaries are inside the designated geographical area to grant free health insurance.
- Not all details, attachments and supporting documents of most of beneficiaries at the Palestinian General Federation of Trade Unions are documented. There are not also protocols to validate the data of all health insurance applicants, which does not provide assurance that all beneficiaries belong to the group on which the conditions and standards apply.

Electronic health insurance programs

- Although the electronic systems are important for the general health insurance department, some protocols need change, improvement and regulation by enhancing the separation of powers principle, such as:
- Entry and categorization of insurance subscribers' data and privileges.
- Issue the insurance validity certificates.
- Enforce or suspend the deduction off health insurance.
- Renew health insurance of beneficiaries to ensure that financial payments have been made.
- Enforce of change the values of health insurance.

Significant recommendations

- Ministry of Health should amend and develop the legislations that regulate health insurance in line with the comprehensive insurance principle, in a way that respects all citizens' private rights, ensures that gaps in the existing health insurance regulations are addressed and reduces the scope of personal discretion.
- Ministry of Health should have a clear and approved policy for its dealing with partners in issuing the government health insurance. It should also establish written action protocols and monitoring procedures to regulate the health insurance issuance and establish an effective policy for monitoring the accumulated debts owed by subscribers in the government health insurance regulations.
- Free health insurance should be incorporated into the Ministry's health insurance regulations, coupled with adequate controls to ensure the soundness of free health insurance beneficiaries.

This would help control the cost related to the free health insurance and ensure access to eligible beneficiaries.
- All health district departments should issue health insurance cards to persons with disabilities based on the current disability rate, in order to ensure there would not be violations, and that the provision of medical care for persons with disabilities is not affected.
- Ministry of Social Development should strengthen its procedures and comply with all standards when granting health insurance to beneficiaries. We also recommend the establishment of controls to ensure that all district departments are attaching all supporting documents to the health insurance granting process.
- The Commission of Detainees & Ex-detainees Affairs should reconsider the duplicity of handling the health insurance files of prisoners, specifically the subscription fees for health insurance services.
- The procedures for granting health insurance to residents of Hebron old city should be incorporated into detailed legislation specifying the categories, conditions and necessary support to ensure that eligible citizens are benefiting from this type of insurance, thus strengthening the resilience of the old city residents, while avoiding additional financial cost on the state.
- The Colonization Wall Resistance Commission should improve its policies and establish protocols and procedures that enable the assurance and high confidence in the lists of beneficiaries of free health insurance. These lists should be periodically updated through field visits and letters of approval from entities in charge, such as local government entities, in order to enhance the credibility and eligibility of health insurance beneficiaries intended to support the resilience of Bedouins.
- Ministry of Health should reconsider relating the Palestinian workers' access to a health insurance with joining one of the sub-unions of the Palestinian General Federation of Trade Unions. This should ensure that everyone has access to health insurance without any intermediaries, in accordance with the legal provisions applicable in the Ministry of Health, being the entity responsible for managing the health insurance portfolio in Palestine.
- The Palestinian General Federation of Trade Unions should develop a comprehensive and detailed database of all its health insurance beneficiaries, establish internal controls and have instructions to ensure unified protocols for handling health insurance beneficiary files across all districts without discrepancies in procedures. Data of the Palestinian General Federation of Trade Unions data should be periodically compared with the Ministry of Health's data to avoid errors, and to address any deviations that may arise. We also recommend that the discrepancy in membership fees for the sub-unions affiliated with the Palestinian General Federation of Trade Unions be reviewed.
- The electronic health insurance system should be developed, all important services should be automated and the quality of these protocols should be checked to ensure the credibility of reports the electronic system releases.
- Various action protocols should be developed and improved, and the separation of powers principle for sensitive services should be implemented to prevent any misuse of these services. - The general health insurance department should cooperate with the computer department to improve and control action protocols in the general health insurance department.

Response of entity

The response was positive, which agrees with the observations mentioned in the report.

4. Compliance of Alia Government Hospital staff with office hours, 2023-2024

A compliance audit has been carried out for the compliance of Alia Government Hospital staff with office hours, 2023-2024.

Best practices

The Hospital has clear organizational structure and job description of the staff affairs department and other departments, which enhance the management regulation, and explain roles and responsibilities. Office hours, days off and leaves are monitored, and electronic systems are used to follow up the arrival, departure and leaves, such as the electronic clock (fingerprinting) 'HR' and 'Mename', which facilitate the control from management and reduce errors.

Significant observations

Policies & procedures

- There are not written procedure manuals or action policies that explain the action protocols of the staff affairs department, which regulate the relation with other departments and set the detailed steps that should be followed to accomplish certain tasks, which would help the staff understand their responsibilities and do their job effectively and efficiently.
- The 'HR' system breaks down frequently and for no less than 6 months, so the shifts are now organized manually, which takes more effort and time to finish the routine tasks, such as data recording and reporting.

Electronic systems & programs

- The staff affairs department does not have an electronic system for its files and documents archiving.
- There is not comprehensive electronic database, which includes all detailed information and data of all staff groups in the Hospital, as well as data of medical interns and volunteers. The existing database is only 'Excel' statistical data.
- The overtime hours and shifts of physicians and resident doctors are calculated manually, not electronically with a software.

Comply with office hours

- Doctors and nurses do not establish office hours with clock fingerprinting as from early March 2024, as decided by the Medical Association and the Nursing Association.
- The ward heads prepare the shifts schedule late (at end of month).
- Office hours in the Hospital are reduced down to three days a week during the present year, which adversely affected patients' monitoring and treatment.
- Physicians on duty on Fridays and Saturdays arrive late after 9 am, sometimes they do not sign off.

Shifts & overtime hours

- There is not council of ministers decision on groups in the Hospital eligible for overtime payment. These groups are determined by instructions from management of hospitals, which are changing in nature.
- The clock does not provide an assurance that doctors are doing evening rounds during shifts.
- Some of the dialysis ward nurses are paid for overtime hours while on 'Call' system, but not actually present on duty.

Days off, late morning arrival & early leaving

- The list of days off and missions of some staff members does not match the lists taken from 'Mename', which is connected with the 'HR' software and the daily fingerprinting list.

- Ministry of Health does not take steps or action against staff who come late frequently, which does not help discipline and adversely affects the efficiency and productivity.
- It was found by comparing the daily fingerprinting list with the electronic leaves list taken from 'Mename' that some staff members arrive late to office frequently, and some who leave early often do not appear in the electronic leaves list.

Physicians

- Accounts of physicians in the 'HIS' are used by resident doctors while not in duty.
- It was found that a physician in Alia Hospital has performed surgeries in 'Mizan' Hospital without having prior approval, and without following necessary action.

Surgeries performed by resident doctors without the physician's presence

- A number of resident doctors perform surgeries without presence of a physician.
- It was found by comparing the manual operations record with electronic 'HIS' record there is a difference between data manually entered and the electronically entered (name of resident doctor who performed the surgery). Some operations are manually documented as 'performed', whereas as the electronic record shows otherwise.

Significant recommendations

- An effective administrative procedure manual should be prepared and approved, in order to help organizing the work, enhancing the efficiency, ensuring transparency and unifying work procedures. This will positively influence the quality of services the hospital provides.
- Personal and official departure clock, morning late arrivals, early departures and shifts on the electronic time timekeeping (fingerprinting) should be automated, so reports are taken electronically from the 'HR' software.
- All necessary measures should be taken with the company responsible for software maintenance. Necessary measures should be taken to prevent reappearance of malfunctions. Any malfunctions should be monitored promptly and there should be no negligence in this regard.
- An electronic archiving system and a comprehensive electronic database should be developed for all hospital staff data, and should be connected with relevant hospital wards, so that reports are taken in due course with accurate data.
- An electronic archiving system for the personnel affairs department should be established, so that transactions and documents are archived in a timely manner.
- A comprehensive electronic database should be developed for all hospital staff data, and should be connected with relevant hospital wards, so that reports are taken in due course with accurate data.
- Ward schedules (shifts) should be programed on the electronic timekeeping (fingerprinting), within available potentials.
- Ward heads should be required to prepare schedules (shifts) electronically in the 'HR' software.
- All employees should comply with these schedules. Hospital staff, including doctors and nurses, should establish their electronic timekeeping (fingerprints) and comply with the Ministry of Health's instructions and the civil service law regarding work schedule procedures.
- Ward heads should prepare the shift schedules on the specified dates, in accordance with the instructions of the personnel affairs department, and should enter electronically into the 'HR' software. They should be modified to match the staff fingerprints.
- All hospital staff should comply with full-time work, or should follow a well-thought process that does not compromise the quality of services provided to patients.

- Physicians should establish their electronic timekeeping (fingerprints) at the start and end of each shift. Strict action should be taken against those who fail to comply, in accordance with law and regulations.
- Instructions should be approved by the director general of hospitals to regulate the overtime work at dialysis ward, which should specify the process of overtime work for nurses on the 'CALL' system.
- Instructions should be issued by the general administration of hospitals, the Ministry of Health to authorize the payment of shift allowances to emergency room doctors, and the minister of health should duly approve these instructions.
- Physicians should be required to perform evening rounds to patients and should document these in the electronic timekeeping (fingerprints).
- All hospital staff should comply with instructions regarding personal and official leaves and days off, by applying leave requests, leave permits and approvals, and should attach the necessary supporting documents.
- More effective measures should be taken against staff who fail to comply with the timekeeping protocol and who are repeatedly arrive late or leave early. Ministry of Health should form disciplinary committees, and appropriate penalties should be imposed in accordance with law and regulations.
- Instructions prohibiting physicians from delegating their personal accounts on the 'HIS' system to other doctors or nurses should be issued. These instructions should include strict penalties for those who fail to comply.
- The Palestinian Ministry of Health should take binding decisions requiring all private hospitals to prohibit government physicians from performing surgeries without official consent and outside of physician hours.
- Ministry of Health should enforce laws that ensure the physicians' supervision of resident doctors during surgeries, such as the Palestinian medical protection and safety law, to ensure patient safety and provide guidance when needed.
- All surgeries performed without physician supervision should be suspended until the situation is remedied. The cases of affected patients should be reviewed, and any medical complications should be addressed transparently.
- A committee within the hospital to monitor surgeries performed without the presence of physician should be formed, and all those involved in these surgeries should be held accountable, including hospital management and the physician.
- Strict protocols should be imposed to require physicians to document their participation in surgeries, by signing the manual surgeries log immediately upon entering the operation room, identifying the primary physician who performed the surgery and signing the manual log. This is to ensure accuracy and transparency in medical records, enhance legal and administrative accountability and ensure the compliance with healthcare quality standards.

Response of entity

The response was positive, which agrees with the observations mentioned in the report.

5. Palestine Medical Board, 2022

A compliance audit has been carried out for action and certifications of the Palestine Medical Board for 2022.

Best practices

The Board is developing and improving the regulatory and financial protocols, preparing approved training material and establishing electronic files for the training centres, thus enhancing the action regulation of the Board. Internal control procedures are followed, by connecting the annual budget with constant follow-up to financial records, in order to enhance the financial resources management of the Board. Data indicated an 8% revenues increase in 2022 over the past year, which denotes the financial performance improvement capacity despite some challenges.

Significant observations

Assembly & committees of the Board

- Assembly and committees of the Board did not hold periodic meetings, contrary to provisions of executive regulations 14/2012 of the Board law 1/2006.
- Some of the Board members did not attend meetings. Members of the high committee were absent from three consecutive meetings, and some special committee members did attend meetings.
- The Board did not advertise the formation of high committees and special committees, in order to provide all doctors who meet membership requirements with opportunity to apply for committees.
- It was not found whether there are digital archives and database of high committee members and special committees of the Board.

Training

- The Board does not have files of the training program managers in the hospital and ward, which contain all documents, certificates, practical experience, approval and evaluation of the training centre manager.
- Training requirements are not clearly described and documented by assembly of the Board. The training programs are approved by mentioning the number of training years and training centres, without indicating the nature of training material.

Significant recommendations

- Assembly of the Board should hold periodic meetings every two months and committee meetings every month, or should amend the executive regulations to state that meetings should be held as needed.
- The issues that the law does not address should be considered. Some legal articles should be amended to ensure that the board members are holding periodic meetings, and addressing the frequent absence without acceptable excuse.
- Assembly of the Board should advertise the committees' formation in order to provide all doctors who meet selection conditions and standards with opportunity to apply for committees
- Complete digital archives should be in place for data of doctors who wish to join and who are joining the Board, as this would facilitate action, and data preserving and protection against damage or loss.
- Training should be described and documented, and specifications for hospitals and medical infirmaries suitable for training should be set.
- All documents regarding managers of the training centres should be present and digitally archived at the Board

Response of entity

The response was positive, which agrees with the observations mentioned in the repor

6. Pilgrimage of 2023/ 1444 AH, (financial audit)

A financial audit has been carried out for pilgrimage of 2023/1444 AH.

Best practices

For the pilgrimage of 1444 AH, Ministry of Endowments & Religious Affairs developed a registration system to allow monitoring the reports, receipts and withdrawals immediately in a transparent manner. All pilgrimage expenditures are closed within no more than two months, which reflects improved management efficiency compared to previous years. Hotel booking contracts are also covered via the electronic route, which helped improve the financial and management regulation. A refunding system with electronic cards has been developed, which helps enhanced transparency and easy withdrawing of deposits by registered individuals.

Significant observations

Balance & financial accounts

- Ministry of Endowments & Religious Affairs did not make a special budget for 1444 AH hajj, and did not link this budget with clear spending allocations and items, which causes failure to identify all financial items for spending and to monitor the spending.
- The accounting software releases spending vouchers in initial copies for audit, and these vouchers are not carried over to the software, which leads to possible altering and having their data changed.

Pilgrims registering fees

- 14,571 pilgrimage applicants did not withdraw the registering fee amounts as at 14.12.2023, where 4,371,300 Jordan Dinars remained in the Ministry's deposits account as registering fees.

Electronic route & mission fees

- The Ministry did not set in place and use the bank account in Saudi Arabia during the 1444 AH hajj.
- There is difference at 76,025 Riyals from previous years between the book balance and the electronic route balance. The Ministry did not record this as part of receipts or did not reconcile the difference.
- There are not instructions or protocols that set spending limits from the accounts of official mission advances.

Expenditures

- There are not special regulations for payments to staff, and no standards for reward payment.
- Ministry of Endowments & Religious Affairs did not comply with council of ministers decision 18/2010 on regulations of allowances and expenditures for official missions, in case the mission is covered (accommodation).

Accounts receivable

- There are outstanding receivables from previous years on many entities, which have not been changed or have not any transactions therein.
- A number of pilgrimage and Umra companies did not pay dues to Ministry of Endowments & Religious Affairs (21,251 Dinars) as at 2023 end.
- Dues balanced on Saudi hotels as at 2022, which increased due to hotel bookings since 2019, reached 2,131,904 Dinars.
- There are debit balances that did not receive any transactions for long time, where value reached 304,868 Dinars as at 2023.
- The pilgrimage and Umra committee closed the debit advances and receivables (2208 Dinars) for some staff who accompanied previous pilgrimage missions, being bad debt expense.

- Some staff members did not pay due amounts (150,975 Dinars), despite the financial claims they received in this regard.

Significant recommendations

- The Ministry should have and approve a budget for pilgrimage, which requires the general pilgrimage department to determine and provide the financial departments with needs.
- The general pilgrimage department at the Ministry should set financial allocations per each spending item identified.
- All financial transactions should be performed at date of effectiveness, and vouchers that support the transactions should be issued in final form (original carried over copy).
- The financial department at the Ministry should have a process to ensure that all citizens who paid registering fees will withdraw their funds, so they will not remain in the Ministry's account.
- There should be clear instructions for spending from advance accounts, and for the financial limits for spending.
- The Financial department should reflect all transactions after being reconciled in the trial balance of pilgrimage trusts, and should close these accounts, as they are not used for years.
- Special regulations should be set for the rewards paid to pilgrimage staff, which specify standards and payment procedures.
- Ministry of Endowments & Religious Affairs should comply with council of ministers 18/2010 on regulations for allowances and expenditures paid for official missions.
- The Ministry should take all necessary action to have original tax vouchers from companies that did not present original tax vouchers, or should deduct the value added tax over the coming years.
- Ministry of Endowments & Religious Affairs should keep writing to all entities where there are staff who have amounts balanced to Ministry of Endowments & Religious Affairs, and should keep claiming the payment of dues to the Ministry.
- All accounts of companies should be monitored and reconciled before the payment of their dues generated from the pilgrimage services, and the balanced amounts should be collected.
- All accounts receivable balanced on 'Nawazi' Hoteling & Estate Investment Co. (3307 Dinars) should be monitored and reconciled.
- All accounts receivable balanced to the Ministry should be monitored and collected.
- Letters should be sent Ministry of Finance or Pensions Authority (in case of retired staff) in order to collect and deduct the amounts balanced on staff from payrolls or pensions.

Response of entity

The response was positive, which agrees with the observations mentioned in the report.

7. Pilgrimage of 2024/ 1445 AH

A compliance audit has been carried out for action of pilgrimage of 2024/1445 AH. The Bureau was present in the leasing committee for pilgrims housing and coaches.

Best practices

Ministry of Endowments & Religious Affairs improved the service to pilgrims. Pilgrims registering system was developed and connected with the civil register at Ministry of Interior, which helped accurate data updating. Electronic registering was made possible without the need to refer to district departments of the Ministry. Hotel and housing services also witnesses considerable improvement, by providing the 'Excellent Pilgrimage' with hotel rooms that overlook Masjid al-Haram (the Grand Mosque of Mecca), more comfortable housing options

(quadruple rooms cancelled, double and triple rooms approved) and inspection rounds in advance at the hotels, camps at Arafat and Mina to check the compliance with standards. Regarding transport, VIP road transport service with modern and cosy coaches was provided, besides improved transport bidding to ensure that coaches with advanced technical standards are selected. The accounting system is now part of the management system of pilgrims, which strengthened the financial and management control.

Significant observations

Housing & transport services

- Absence of coordination between stakeholders in some of the committee works, such as non-presence of the Ministry of Tourism & Antiquities representative at some meetings, which undermines the coordination between stakeholders, and affects taking effective decisions.
- There is not written procedure manual at the Ministry to regulate action of leasing committees, which leads to overlapping tasks and enhances possible ill-advised or illogical decisions being taken.
- Lack of clear standards to choose between hotels, where the shopping around method has been followed, which undermines the transparency of leasing process and increases the risk of leaking bids or taking ill-advised decisions.
- Committees have a great number of members, and certain members frequently appear in committees, which increases cost and undermines transparent and effective distribution of tasks.
- Driver assistants were not complying with respective tasks, which undermines contracting procedures and unjustifiably increases the cost.
- Lack of camp supplies and services to pilgrims in Mecca and Medina, which declined the service level and increased their suffering during the pilgrimage.

Lists of pilgrims & registering process

- There are variances and disagreements between management decisions and final lists of pilgrims. There are not clear limitations and fair weight in the electronic draw, besides the variance in the number of registered between the decided and actual shares in some communities.
- There have been cases of draw winners without applying official applications, which indicates poor controls over the selection of pilgrims, and affects fairness and transparency of selection.
- Poor registering and documenting system for pilgrims' data. There were duplicate names and ID numbers in different lists, including names that reappeared in the special cases list and the draw winners list, besides the frequent ID numbers registered to several persons in the order list post 2016.
- Poor governance and documenting for the special cases selection, due to lack of clear and specific basis to regulate this process.

Pilgrimage committee at the Ministry

- Some meeting minutes were not signed off by all of the pilgrimage committee members. This reflects poor compliance with regulatory action, affects the credibility of decisions taken and adversely influences enforcement of relevant action.
- The Ministry resorted to direct procurement in emergency cases without competition process, which indicates poor risk management planning.

Companies entitled to work in pilgrimage of 1445 AH

- There are not clear standards to regulate the action of pilgrimage companies in alliances, which adversely affects the service quality.

- Lack of conditions that explain the roles and responsibilities of each company in the alliance, which confused the pilgrims who were not informed beforehand that the registered companies are working within alliances, thus increasing the service provision problems and the unclear distribution of responsibilities between companies.

Accommodation of pilgrims in Mecca hotels & the pilgrimage mission HQ

- Poor planning and lack of coordination between official lists and actual accommodation in the pilgrimage mission HQ hotel.

Replacements

- There have been duplications and overlapping in the pilgrims' replacement process, which leads to inaccurate management of the replaces lists, and affects the final number of replaced pilgrims.
- It was found that some pilgrims were replaced with several replacements without clear standards. Duplicate names of some pilgrims were observed in the 'additional Jerusalem pilgrims' list, where names of pilgrims were listed in place of others.
- People who were not in any of the waiting or draw winners lists were included in the replacements list, including cases registered in 1445 AH pilgrimage but did not win the draw.
- Some individuals were included as replacements twice in different lists. Some people were replaced with more than one replacement, or the replaced pilgrim has been replaced again. Additionally, it was found that names of people who did not apply for pilgrimage have been included.
- Different data between the Ministry and the course software regarding the number of visas, pilgrims, missions and passports. There have been missing items in data entered, and incorrect information about the pilgrims' number was recorded.

Official missions that accompany the pilgrims

- Unclear instructions for the tasks and powers of media mission that accompanies the pilgrims.
- Absence of medical staff at the pilgrims' city. There is not final report about findings of the medical mission, besides the lack of approved protocols to regulate action of the mission.
- Lack of accurate task distribution and identification for each management mission member, which led to different workload and overlapping roles between members.
- Guides from outside the Ministry, or indeed the civil service, have been chosen, which leads to poor accountability and monitoring, and makes it difficult to monitor the performance and compliance of guides with required standards.
- Frequent approvals to convert the Ministry staff into pilgrimage mission members after winning the draw.
- No official documents for the approved staff from pilgrimage companies, which increases possible manipulation with 'management' permissions and possible misuse for illegal purposes, such as selling or unauthorized uses.

The 'Pal-pay' agreement

- Poor planning and regulation regarding the fees refunding and distribution of financial services to pilgrims, which led to difficult access to banking services for refunding purposes.

Significant recommendations

- Presence of all of the leasing committee members should be checked, including the Ministry of Tourism & Antiquities representative, at important meetings to ensure full coordination and unified decisions based on active participation of all parties.

- Specific and approved criteria should be established for choosing between rented hotels, such as price, distance from Masjid al-Haram, quality of service provided, previous hotel reviews and other criteria to ensure fair and transparent decisions that meet the needs of pilgrims.
- The professional qualifications and standards required for driver assistants should be reviewed, and the compliance with their duties should be ensured with regular supervision and performance evaluation. A monitoring process should also be established to ensure that assistants fully perform their duties.
- The company should be required to provide all equipment and furniture for the tents as agreed, in addition to guides to ensure an improved pilgrims' experience.
- The electronic draw system should be updated to include fair criteria, such as age and number of previous registrations, thus allowing for the balance between randomness and fairness, while ensuring that shares are distributed in a manner that suits the eligible groups, and strikes a balance between different regions.
- A thorough review of the electronic draw process should be performed, and the records of applications and winners should be updated. A clear process should be established to verify the accuracy of winners' data, and ensure they match the actual applicants, thus enhancing transparency and fairness in the distribution of pilgrimage opportunities.
- The Ministry should develop an accurate process to verify the lists of draw winners to ensure that unregistered or ineligible names are not included in the lists of winners. We also recommend regular audit and review of all final lists, and clarify any potential exceptions. This ensures transparency and accuracy in the selection of pilgrims, and prevents similar errors in the future.
- The Ministry should establish specific and clear criteria for selecting the special cases. It should conduct a study of all applications presented for special cases, specifying the reasons and the maximum number of approved cases per season, to ensure fairness and transparency. Relative weighting should be given to each standard for selecting special cases to ensure priority is given to the most deserving cases, and to avoid bias.
- The Ministry should request official entities to provide the applications presented by pilgrims whose names appear on lists the Ministry presented. This will enable the review and verify their eligibility for pilgrimage. The Ministry is responsible for selecting pilgrims according to specific criteria and process that ensure integrity, transparency and equal opportunities.
- The Ministry should invite quotes from airlines and pilgrimage supplies companies at the start of each pilgrimage season, in order to obtain the best prices.
- Detailed standards for selecting qualified companies should be set, including an assessment of competency, previous experience and presenting a clear operational plan, to ensure the participating companies are capable of meeting service requirements with high quality.
- A monitoring process should be established to ensure clear distribution of responsibilities among companies within alliances. Clear agreements defining each company's service provision responsibilities should be signed in order to ensure compliance, and achieve a high service quality level.
- The Ministry should re-evaluate the accommodation plan in pilgrimage mission hotels to ensure full use of hotel capacity suitable with the actual number of participants. We also recommend developing a process for distributing participants and avoiding empty rooms, which will help reduce cost and maximize resource using.
- Periodic audits should be performed to ensure the accuracy of lists and avoid duplication of names or data. The database should be connected with the ‘Masar’ program to provide

simultaneous updates that prevent overlapping names, and to achieve transparency in replacement process. This will enhance the credibility and accuracy of replacement procedures.
- Replacement criteria should be reviewed to have only those included in the official order and draw lists. We also recommend documenting the names of those replaced and accurately recording them in all approved lists to ensure and avoid any errors or duplication in replacement names. Clear criteria should be applied to avoid repeated replacements of the same person, or the inclusion of unapproved replacements.
- We recommend conducting a thorough review and cross checking the passport numbers between the Ministry list and the 'Masar' program to ensure data consistency. Internal verification process should also be strengthened, and standards and procedures should be implemented to ensure data accuracy and avoid future errors.
- Data of replacements should be accurately reviewed and updated to ensure that classifications are consistent with the 'Masar' program and the Ministry's lists, which group individuals according to correct and proper classifications. This ensures data accuracy and procedural integrity.
- Instructions 1/2014 should be amended to include a clear definition of duties and responsibilities of the media mission members accompanying pilgrims, in addition to the qualifications and experience required to join this mission.
- A specific task list should be developed for each administrative mission member to ensure equal distribution of workload and avoid overlapping of duties. Furthermore, a clear process should be established for distributing work among the administrative mission members to enhance supervisory efficiency and help achieve the organizational objectives of pilgrimage, taking into account the qualifications and responsibilities of each individual.
- Guides should be selected to accompany pilgrims from the Ministry staff in accordance with the specified instructions. It is also recommended to review the criteria for selecting guides to ensure they are fully aware of all legal and administrative aspects related to pilgrimage.
- Clear rules for converting the staff who win the pilgrimage draw to members of the mission should be established, to ensure transparent and equal treatment for all applicants.
- The Ministry of Endowments & Religious Affairs should establish procedures requiring pilgrimage and Umrah companies to present official documents proving that the appointed officials are authorized staff and qualified to perform their duties in the pilgrimage mission. This is to ensure transparency and prevent any potential manipulation of "administrative allowance" permissions.
- The network of banks available for fee refunding should be expanded across various districts, and coordination with banks should be improved to ensure easy access and quick fees refunding to suit needs of pilgrims.
- Technological solutions should be developed for easy opening of electronic portfolios of the registered, and to ensure quick and flexible fees refunding, including the provision of sufficient technical support and update of banking procedures.

Response of entity

The response was positive, which agrees with the observations mentioned in the report.

8. Nablus Central Zakat Committee, 2023

A compliance audit was performed for action of Nablus Central Zakat Committee for 2023.

Best practices

The Committee is doing an important job upon the collection and distribution of zakat funds as per sharia rules, which enhances the social solidarity and helps the families and orphans in need. The Committee relies on financial and management regulations and instructions from Ministry of Endowments & Religious Affairs, and owns multiple charitable projects such as the Holy Quran Academy and Nablus Charitable Medical Complex, which provide the community with education and health services. The report also shows the Committee's compliance with recording the financial and accounting transactions in a software, which enhances transparent processing of revenues and expenditures.

Significant observations

Governance & management of action

- The Committee does not have an approved organizational structure to define responsibilities and duties of each department, and shows the chain of management and decision making powers.
- The Committee did not have committees for public relations, social researching, estates and projects, contrary to internal regulations of 2011, article (9).
- The Committee did not have an annual budget for its projects, and did not connect this budget with clear spending allocations and items in the accounting software.
- The Committee did not issues consolidated financial statements as at 21.11.2024, or detailed financial statements for 2023 for the Committee, Holy Quran Academy and Nablus Charitable Medical Complex.
- The accounting software and financial statements for the Committee and its projects are not closed at end of each fiscal year. Modifications are only made with modifying entries.

Cash & banks

- The accounting software does not have a subsidiary cashbox account for the collectors.
- Revenues are not deposited in bank on daily basis. Spending is directly made from revenues box.
- Spending for the emergency advances is made without following the legal action, which state spending should be made by authorized signatories.
- There are differences between the book and actual balances in the cashboxes of the Committee, which indicates poor controls.
- The Committee, the Academy and the Health Complex do not make reconciliations for all bank accounts, as per approved forms that bear signatures and approvals.

Procurement & expenditures

- Procurement protocols were not followed upon the execution of some works, buys-in or services through bids or quotes. Agreements are not made with suppliers or service providers, receipt committees are not formed and receipt meetings or progress reports are not made.
- Expenditures were paid for without signing off the payment vouchers by authorized signatories.
- Payments were made without original tax vouchers and source deduction certificate from service providers or suppliers.

Expenditures of the Committee

- There are not agreements made between the Committee and some stakeholders (partners, suppliers), which state conditions of the Committee and rights/obligations of the two parties, contrary to the financial instructions of zakat committee of 2011, article (9.6.2).

- The Committee does not have documents that show nature of account, material supplied to 'Safa' factory or copies of the paid vouchers.

Payments for 'Safa' factory

- The Committee did not have financial statements upon shutdown of the factory, which show financial status, rights and obligations.
- The factory did not return the bounced cheques to banks, or did not keep them separately in metal safe until the reconciliation is finished with the bank the cheques which had the cheques drawn.
- There is not written agreement between the companies that operate the factory and the Committee, regarding the amount due on the factory, payment method and the financial reconciliation.
- Management of the factory does not have files and certified bank statement regarding the amounts it owes after shutdown.
- Accounts payable of the factory were not established in the Committee's accounting records.

Expenditures of the Holy Quran Academy

- Committees for receipt, uniform and textbook were not formed. The supplier did no present well-execution guarantee and source deduction certificate.
- The management did not have lists of students who are eligible for kins, sons of staff and excellent student discounts.

Expenditures of the medical complex

- Some patients and insurance companies are given discounts without legal basis, standards and decision by the Committee.
- Discounts granted to patients, recorded in health management system, are not established in 'Shamel' accounting software.

Salary expenditures

- There are differences upon the income tax calculation for staff payment of the Committee and its projects during November and December 2023.
- Agreements were not made with the manager doctors, which state rights and obligations of both parties, and the check-up rate for each doctor and commission for the complex.
- Payment vouchers do not establish and document the end-of-service reward calculation.

Saving fund for the Academy staff

- There are not internal regulations for the staff saving fund, and no management committee for the staff saving fund.
- The fund granted an employee a loan, where value of loans he received are 3,008,940 NIS. The Committee did not take any action to reduce value of amounts due on the employee at date of resignation, where value of deferred cheques reached 761,706 NIS.

Sponsorship to orphans & families in need

- There are not separate bank accounts per each orphan and family in the accounting software. There is no special bank account to transfer the amounts on monthly basis.
- There were not field visits to families, individuals and orphans who applied for assistance during 2023, in order to reveal the actual financial status.
- There is no special program to document all data and documents for families in need, orphans, sponsors and guardians.

Estates & leasing

- The Committee did not form a special committee for the inventory of land that have endowment title deeds, and did not have reports on status and space of these estates, in coordination with the certified surveyor.
- The Committee does not have a process for the inventory and recording of each estate as per special coding. There are not special numbers for each leased estate separate from the estate number, so tenants over the past years will be accounted for.

Assets, supplies & warehouses

- There is not fixed assets register, which contains serial number and location assets.
- The storekeeper does not use the accounting software to record receipt and delivery of in-kind donations, which shows balances and value of in-kind material in store on regular basis.
- There is not complete register of all warehouse items, where the entry and discharge vouchers are recorded, as well as the book balance of each item in case an automated system is not used.
- Periodic and unexpected inventories of assets and supplies of the Committee and its projects are not performed, in order to validate the book balances.

Management affairs

- The Committee does not have a unit or section for staff affairs, which controls, regulates and monitors office hours and days off.
- Some employees work for the Committee or its Academy and medical complex, and at the same time for other organizations.
- The Committee does not have electronic archiving system for the Academy and the medical complex.
- The Committee does not have comprehensive electronic database, which contains all information and data at the level of departments and projects of the Committee.

Significant recommendations

- An organizational structure and job descriptions should be prepared and approved for each position, which agrees with the nature of work.
- Committees to support the work and objectives fulfilment of the Central Committee and should be formed.
- A comprehensive budget estimate detailing all items of expected revenues and expenditures should be prepared.
- Consolidated financial statements for 2023, including all assets, properties and projects of the Committee, should be prepared.
- The financial statements and accounting software should be closed at each fiscal year end, and should only be amended with appropriate means.
- An account for subsidiary funds and collection funds should be maintained within the financial accounting software.
- An automated financial program should be in place to record, transfer and print out all financial transactions.
- The finance committee should conduct a periodic inventory of cash funds with official inventory minutes.
- Cash and cheques received to the Committee’s bank account should be deposited the same day of receipt or the following morning at the latest, and should not be cashed.
- A special register for cheques received from banks should be maintained, which details all cheque numbers. The Committee should make and renew agreements, in accordance with its terms and conditions, in a manner that is increasing the revenues of medical complex.

- Procurement methods should be complied with in accordance with the financial limits stated in the financial regulations through bids.
- The Committee should maintain files detailing the amounts the Safa Factory is owing.
- The Committee should form a special receipt committee and a committee to determine the need for uniforms and textbooks.
- The school administration should provide the accountant with a list of student names entitled to discounts, in accordance with the Committee's approved decisions.
- All discounts granted to patients should be documented in the medical management system and the comprehensive accounting software.
- Agreements should be made with the medical complex director and all physicians working at the complex, which specify commissions of physicians and the complex, with rights and obligations of both parties.
- All supporting documents should be attached to the payment voucher for work start-up, the employment contract, the termination letter and other supporting documents.
- Settlement with employees, scheduling and collection of amounts balanced and paid in excess of the end-of-service benefit.
- There should be internal regulations and a dedicated committee for the staff saving fund.
- The Committee should take necessary measures with former staff to collect the value of post-dated cheques, or obtain additional guarantees that contribute to preserving the fund's rights.
- An accounting software and a bank account should be in place for each orphan and family.
- There should be a special software to store the data and files of orphans and families, and archive all documents with serial numbers.
- There should be a special committee, including a certified surveyor, to perform inventory, document and verify the lands donated to the Committee.
- Lands donated to the Committee should be surveyed, and the survey coordinates should be applied to the actual land.
- There should be a special program and numbers for each tenant's liability, separate from the estate number, and should be connected with the estate number.
- Value of the annual rent and other conditions should be changed to serve the interest of estates and the Committee when making any changes to the contract or profession.
- A personal inventory register should be maintained for Committee’s staff, including the signatures of all staff to the inventory they hold.
- A fixed asset register should be maintained, which includes details of assets, original value, any additional costs incurred, the date the asset was acquired, status and location.
- An automated warehouse program should be developed, which meets work needs and ensures adequate controls over the admission and discharge of material.
- Periodic inventories of assets and supplies should be performed to verify the accuracy of actual balances.
- The Committee should request all staff to remedy their employment status, and should only work for to the Committee. They should not combine any other job with their work.
- A comprehensive digital database should be developed for all details of guarantees of all various types.

Response of entity

The response was positive, which agrees with the observations mentioned in the report.

9. Hebron Central Zakat Committee, 2022

A compliance audit was performed for action of Hebron Central Zakat Committee for 2022.

Best practices

The Committee has been supporting and providing assistance to the families in need and orphans, by means of strong relations network with donors inside and outside of Palestine. The Committee also periodically distributed cash and in-kind assistance, where the financial sponsorship beneficiaries reached 1653 orphans and 745 families. Achievements included distributing thousands of food packages, clothing, electrical appliances and school supplies. Grants have been presented to college students, while the Committee developed its health infirmary after securing necessary permissions from the Ministry of Health. A women clinic was opened, besides having a pharmacy and a medical laboratory in operation. Regarding social services, the Committee is running a project to transport and shrouding of the deceased, which includes car parks and a hall.

Significant observations

Management of Committee

- The Committee does not have an approved organizational structure, which defines responsibilities and duties of each department, and explains the management chain and decision making powers, besides the relation between departments and the Committee's management.
- There is not a staff affairs unit to regulate and monitor office hours, contrary to instructions of 2011 to regulate action of central zakat committees.
- The Committee does not have an executive director. Head of Committee performs the executive action, contrary to good governance rules.
- There is a committee for procurement and receipt, contrary to financial and management instructions of 2011.
- Some staff members work for the Committee without employment contracts, contrary to instructions of 2011 to regulate action of central zakat committees.

Sponsorship to orphans & families in need

- There are not written instructions or procedure manual that explain the recording and approval of social cases (orphans, families).
- The social surveying department does not have an automated system to record data of orphans and attach the necessary supporting documents.
- Social surveying forms are not used, and not all supporting documents of some orphans' sponsorship are attached.
- Some financial assistance was directly delivered to the sponsored as per official lists, without being transferred to bank accounts.

Financial affairs

- Some projects of the Committee, such as the medical centre, need revaluation to suit its financial position. Losses of 6473 Dinars were recorded during 2022.
- Most of suppliers do not have receivables account for procurement of the pharmacy in the accounting software the accounting department is using.
- Direct procurement is made for the pharmacy, without buying orders or controls applied by the Committee.
- Tasks of the treasurer and the accountant (receipt, payment, depositing in bank) are not separate.

- The Committee does not have a special petty advances fund, where payments are directly made from the revenues account, contrary to financial instructions of 2011.
- The Committee did not have official inventory minutes for the cheques box as at 31.12.2022. The accounts tree does not have a bounced cheques account.
- Most of payments have been made without sufficient supporting documents (tax vouchers, sources deduction certificates, progress reports, hotel bills, tax/transport receipts), and without having bidding or quotes.
- The committee head and treasurer do not sign all automated receipts and payment documents for 2022, contrary to internal regulations of 2011, article (9).
- Most of accounting entries made by the accounting department are not supported with documents. Accounting entries are not printed out and kept in special files.

Supplies & warehouses management

- Poor controls over the admission and discharge to and from the warehouse, contrary to financial regulations.
- The storekeeper does not make periodic reports during the year about movement of items, damaged supplies and the slow-moving supplies.
- The Committee does not have a fixed assets register, which includes details and actual value of assets. The Committee did not have annual inventory of supplies and fixed assets, as per official minutes validating the balances of supplies and assets.

Significant recommendations

- An organizational structure and job descriptions should be developed for all of the Committee's activities, which are consistent with nature of action. A salary scale and staff regulations should also be developed.
- An administrative officer should be assigned to monitor staff office hours and compliance with the Committee's policies and procedures.
- An experienced and competent executive director should be appointed for the Committee, in line with good governance rules. Committee members should approve payment decisions of certain expenditures, such as staff loans and bonuses.
- The Committee's management should form committees, as per work requirements, such as the procurement, receipt and disposal committees. Formation of these committees should be duly included in the meeting minutes of the Board of Directors.
- Written instructions or a procedure manual should be prepared to document the registering and approving of orphan sponsorships. The electronic system for managing the orphan sponsorship files should be in place.
- Social surveying forms should be developed for all sponsored individuals and families through field visits. All necessary supporting documents should be attached, clearly identifying the cases' eligibility for assistance. The head of the social surveying department, with head and members of the Committee, should duly approve these forms.
- The medical centre project should be re-examined to ensure it does not expose the committee to financial losses that would influence its ability to perform its activities.
- The pharmacist should organize procurements with buying orders approved by the Committee management. The pharmacy's accounting software should be connected with the Committee's accounting software, and a cost center should be created in the accounts tree for the pharmacy's cost center.

- Controls and monitoring procedures should be established to ensure segregation of duties between duties of the treasurer and accountant. Revenues should be daily deposited in bank, and direct procurements should not be made from the revenues fund account.
- A petty cash advance fund should be set, and accounting records for petty cash advances should be approved and followed in accordance with accounting principles.
- An inventory of the cheque fund as per an official inventory minutes should be performed at each fiscal year end. Cheques should be deposited daily in the Committee's bank account, a bounced cheques account should be opened in the accounts tree, and the relevant accounting entries should be recorded in accordance with generally accepted accounting principles.
- Funds should not be paid for procurements or services without quotes, all necessary supporting documents and attaching an income tax deduction certificate.
- Special receipt books for cheques receipt should be made, in order to facilitate access and inventory when necessary.
- All primary and secondary receipts and used cheques should be recorded in the licenses and receipts register as per serial numbers. The committee head and treasurer should obtain all management approvals (signatures) for financial transactions, either receipts or payment documents.
- Entry vouchers should be printed out, and a copy of which with the necessary supporting documents should be kept in order to confirm validity, and should be organized in a special file.
- Inventory committees for supplies and assets should be formed at the end of each fiscal year. Immediate inventory of fixed assets and staff personal belongings should be performed at the end of each fiscal year, and this inventory should be documented with official inventory minutes.
- A fixed asset register that includes details of the assets should be maintained, with value and any additional costs.
- Employment contracts with staff should be made, which define the rights and duties of both parties, consistent with cabinet resolution 4/2021 on minimum wage.
- An automated warehouse program should be developed, which meets work needs and ensures adequate controls over the movement of supplies in the warehouse.
- Materials should be admitted and discharged to and from the warehouse as per approved admission and discharge forms.

Response of entity

The response was positive, which agrees with the observations mentioned in the report.

10. Ministry of Endowments, official mission to Turkey (solidarity campaign), 2024

A compliance audit was performed for ‘Takaful’ campaign launched by the Ministry in Turkey from 2022-2024, based on the assignment letter issued by the cabinet general secretariat.

Best practices

The Ministry allocated amounts to support the Palestinian students in Turkish universities and northern Cyprus with ‘Takaful’ campaign. That reflects its attention to the provision of education support to students in need, where coordination was in place with the embassy of Palestine to ensure the assistance distribution as per specific process. A special committee has also been formed to supervise the campaign and approve the financial documents.

Significant observations

Action of committee in Turkey

- The number of participants in the mission does not fit the action done in Turkey.
- Embassy of Palestine to Turkey requested amounts to distribute to the Palestinian students there, without having the necessary approvals for either funds requesting or payment (Ministry of Foreign Affairs, council of ministers).
- The Bureau did not obtain the basis for calculating the amount the embassy requested (number of students, amount per student).

Regulations of payment

- The Bureau does not have an assurance about validity of amounts the Embassy paid. The documents are kept in the embassy, and no assurance whether there are regulations of funds payment.
- A confusion in the amounts allocated was noticed in the accounts of fundraising campaigns the Ministry organizes. There are not bank accounts for each campaign, but the Ministry deposits in its general accounts.
- The payment for some campaigns is delayed, which might reduce the goal and purpose of fundraising.

Supervising the fundraisers

- There are not reference entities to supervise or participate in the supervision over the fundraisers. The Ministry singlehandedly organizes, collects and pays off these funds.

Significant recommendations

- The entities that supervise and participate in funds distribution in campaigns the Ministry organizes should be reconsidered. External stakeholders should be involved, such as Ministry of Finance, Ministry of Foreign Affairs, council of ministers or other stakeholders.
- Funds requesting by embassies should be regulated by Ministry of Foreign Affairs and approved by council of ministers, by instructing the ministries in question to raise these funds.
- There should special bank accounts for each fundraiser the Ministry organizes, and the different accounts of fundraisers should be confused. The payment should be duly made as per goals and purposes of fundraiser.
- The raised funds should be paid in due time without any delay, so the goals and purposes would not be reduced.
- The Ministry should confirm the supporting documents of payment, should close the advances and should not only depend on action the embassy takes.
- The number of staff who participate in mission should be reconsidered, so it suits the assigned tasks in each mission, in order to regulate spending.

Response of entity

No response to the report has been presented.

11. Support & relief from stakeholders to Gaza Strip, evaluation of preparedness

With the data made available, the planned and taken action by entities in charge and stakeholders to provide support and relief to Gaza Strip were audited and evaluated.

Best practices

- Ministry of Telecommunication and the private sector restored the telecommunication and internet services in Gaza Strip, and secured telecommunication devices and satellite internet. It

also formed a small task force combining the government, the private sector, foundations, unions and public entities in order to assess the damage, have resilience and recovery proposals, reconstruct Gaza Strip and the West Bank and monitor the implementing.
- A relief vision to restore education in southern districts was set, by investing what is left of the undamaged infrastructure in the cooperation framework between high education institutions in all of the southern districts, and have the cooperation between the Palestinian high education institutions in Palestine's two wings (West Bank, Gaza).
- Ministry of Agriculture made urgent relief and early recovery plans for the agricultural sector in southern districts.

Significant observations

- There is not organizational structure or a fund to address disaster risk, which include preparedness and is followed by stakeholders at all levels.
- A database was not set in advance, which includes all necessary information for contingencies in mitigating the risk disaster.
- There is not unified information reference, which can provide proper media coverage of facts on the ground, and expose crimes against citizens.
- Some indirect stakeholders were not engaged or notified in order to have a plan to increase the maximum production and operation, such as pharmaceutical factories and some food factories. It was not also found whether there are plans to encounter the Israeli occupation's banning of citizen's access to relief material in Gaza Strip.
- There is no assurance that there is a degree of coordination to ensure fair and effective access to and distribution of assistance.
- The Bureau did not find an entity or a reference for effective and timely information and communication, not only for the endangered people but also for the public.
- The Bureau did not find proper policies to facilitate entry and effective moving of foreign subsidies into Gaza Strip, or alternative measures in case access was not possible, especially that Israeli occupation is banning this and is controlling all border crossings of Gaza Strip.
- The Bureau did not find a method and organization for the fundraisers at the government level, so the role and responsibilities would be clear. There is not a reference entity for the management and distribution of these funds, except for fundraisers performed by Ministry of Religious Affairs and some civil society organizations.

Significant recommendations

- There should be distribution of roles between different stakeholders, whether government, civil society organizations or the private sector, in terms of food and medical supplies, besides the sheltering.
- Fundraisers should be organized and advertised in participation of various social and grassroots groups, in order to enhance the confidence of donors.
- An information management and circulation system should be in place, which facilitates the exchange of necessary technical and management information for crisis management, so the public could be effectively informed in due course.
- Strong relations should be maintained with radio stations and local/international information outlets, and an official spokesperson should be appointed, who answers to certain management or team as a reference, in order to have the stakeholders' approval to information that would be released.
- There should be measures to deliver assistance to eligible people, and prevent illegitimate sale or disposal.

Response of entity

No response to the report was received.

12. Ministry of Agriculture, National Agricultural Research & Guidance Center, 2022

A compliance audit was carried out over action of the Center for 2022.

Best practices

The Center has vital role in supporting the agricultural researching and developing the animal/plant production, by conducting the applied researches and conveying the advanced technology in agriculture to farmers. The Center also has modern researching infrastructure that includes laboratories and agricultural stations distributed across different regions, which enhances the capacity to conduct studies and scientific testing. Moreover, the Center preserves the plant genetic resources by the national seed bank, which intends to maintain the local species and sustain the agricultural biological variety. The Center is the researching arm of Ministry of Agriculture, which provides soil, water and plant analysis service, thus helping the agricultural production quality improvement.

Significant observations

Planning & quality control department

- There is not comprehensive database about the researching projects and programs done in different departments of the Centre, contrary to the approved job description.
- Many tasks, projects and researches stopped due to absence of supplies brought by difficult securing of financial allocations.
- There is not coordination between the Center and the Standards Institutions, which does not enable measuring the quality of operating agricultural laboratories.
- The quality control department is not supervising the laboratories, a shortcoming by the department that reduces the possible compliance with general safety recommendations and standards.

General supplies department

- There is not inventory of assets and equipment of the Center with its stations and laboratories, which indicates the absence of controls over supplies and equipment.
- There is not periodic monitoring to maintenance of equipment, which leads to damage risk.
- There are not credible records for warehouses, which questions the accuracy of committees formed to that end.

Post-harvest techniques department

- Huge equipment or machines are operated for low-quantity researches, which does not enhance optimal use.
- Not all refrigerators are used for researching purposes, which indicates the absence of proper planning to use them, and the limited experiments the department is conducting.
- There are not instructions on how to use all equipment and machines in terms of installing and electrical connection, which exposes them to damage and malfunctioning.

Plant production researching & protection department

- The Center does not have a unified electronic system, which does not help professional keeping of experiment, project and research files.

- The department only conducts different agricultural researches without finishing them, due to multiple reasons.

Laboratories in district departments & agricultural researching centers

- The Center sets financial fees for laboratory services to beneficiaries, as per decisions the minister of agriculture took in 1996, without updating these fees and having legal basis for them.
- The Center gives certificates for laboratory testing by individuals who are not qualified to do so, which might lead to no assurance regarding validity and accuracy of findings the Center is giving, due to lack of clear action protocols.
- There is not software to document inspections performed in the Center in a sequential order that could be monitored.
- The Center has advanced equipment for laboratory testing that are not being used, which indicates poor planning when buying them.
- The tests performed at Nablus central laboratory are few, where only the olive and olive oil tests were done across 2023. No other laboratory tests have been performed.

Agricultural stations

- The stations are not generating revenues that are consistent with potentials and spaces of stations, which indicates failure to use the available agricultural land optimally.
- Some stations lend their machines and equipment without following proper lending basis, and without determining the actual need of these supplies.
- There are assets and supplies at high financial cost that are not used for work purposes, which exposes them to damage due to negligence.
- Land of Beit Qad station is not registered in the name of Ministry of Agriculture, which does not fulfil the purpose of allocation.

Significant recommendations

- There should be a comprehensive database of agricultural programs and researches the Center is conducting, so it serves as a scientific reference that can be used and developed, thus leading to improved effectiveness of agricultural researching.
- The Center should develop the necessary funding plans for agricultural researching in order to contribute to the improved quality of Center's work.
- The quality control and monitoring department should supervise laboratories and establish practical procedures to coordinate with the Standards Institution to develop standards and mandatory specifications for laboratory accreditation, in order to improve the quality of laboratory action.
- Ministry of Agriculture should hold its responsibilities and monitor work of the Center. It should tighten control of its work, either technically and administratively. It should conduct an actual and accurate inventory of all assets, supplies and equipment the Center has, and should prepare a fixed assets register based on academic and professional principles. We also recommend that staff custodies should be tracked, the lost supplies should be identified and specialized committees should be formed to hold accountable anyone proven to have neglected to store or misuse supplies for personal gain.
- organized records should be prepared properly, which should include the classification and coding of assets, machines and equipment after all assets have been inventoried by specialized technical committees.
- An inventory of damaged and serviceable devices at the Center should be performed. A plan should be developed to maintain broken down devices, monitor equipment maintenance

periodically and take decisions regarding the safety and serviceability of equipment at the Center as per rules.
- Ministry of Agriculture should intensify the control over the use of supplies at the Center, should monitor the use of agricultural tractors and fuel purchases and should have a record detailing the justifications and procedures for the use of supplies and equipment, in order to determine whether the uses are for personal or work purposes.
- A comprehensive plan to help the use of all supplies and equipment the department has should be developed. The researching and experimenting base should be expanded, and instructions should be set for the use of all machines and equipment, in terms of installing and electrical connection.
- Unified system for the Center should be developed, so that all experiments, projects and research files are uploaded to the system. This system should serve as a reference for the department to complete future researching, while also serving as a process to document the work and achievements of staff.
- A well-equipped and trained support team should be formed to assist researchers in completing their experiments. This team should be collaborative and supportive of various research departments. Cooperation should be established between the various departments to cooperate and support completing the research experiments.
- The cost of laboratory services the agricultural laboratories provide should be reconsidered, and should be regulated by an approved legal framework.
- Specific procedures and instructions for issuing laboratory test certificates should be set, in order to ensure they are issued by scientifically and professionally qualified individuals.
- An electronic program to control the performed laboratory tests should be set. Specific authorities for each level within the laboratory should be established to avoid issuing laboratory certificates outside the work scope.
- The Ministry should form a specialized committee to review the equipment and supplies the agricultural research laboratories have, in order to identify the equipment used necessary for the Center's work. Plans to improve the efficiency of equipment should be developed.
- Ministry of Agriculture should review the Nablus central laboratory and all other laboratories, evaluate their work, the costs involved in their presence and operation, and the value added of their work. The Ministry should also take measures to establish agricultural laboratories based on comprehensive and detailed studies.
- The station management should develop an action plan to optimize the use of available land and the proper use of equipment, thus helping the generation of resources and revenues consistent with the station's capabilities. We also recommend effective coordination between agricultural stations regarding the resources and capabilities each station has.
- The Bureau recommends that a committee be formed to study the lending of supplies and machinery of agricultural stations, which include the reasons, justifications and returns on such lending, and to hold accountable those responsible for any shortcomings in this regard. It should also conduct periodic evaluations of the agricultural stations work ahead of taking decisions are consistent with the actual conditions of these stations.
- An inventory of all unused facilities and resources at Qabatiya station and other stations should be performed. A plan should be developed to ensure the optimal operation and use of these resources.

- Land of the station should be allocated to the Ministry of Agriculture's name, in order to enforce the recommendations of the presidential decision. Another location for cars confiscated by the police station should be found.

Response of entity

The response was positive, which agrees with the observations mentioned in the report.

IV. NGOs Audit Department

	Report
1	Palestine Bar Association, Jerusalem branch
2	Government land allocation for the benefit of housing cooperatives
3	'Daman' for Small Enterprises, Ramallah
4	Poultry Farmer Cooperative Society, Ramallah & el-Bireh district
5	The Palestinian Association for Empowerment & Local Development 'REFORM'
6	Happy Homes Society for Culture & Development
7	Future Generation Hands Association, Nablus
8	Dar Al-Yateem Al-Arabi (Arab Orphan House) Society
9	Palestinian Red Crescent Society, el-Bireh main offices
10	Health Care Committees Society, Nablus

1. Palestine Bar Association, Jerusalem branch

The Association was founded as per the president decree 78/1997, and is a framework that combines the Palestinian lawyers in the West Bank (Jerusalem branch) and Gaza Strip (Gaza branch). The Association intends to raise and develop the legal profession in Palestine, where the Bureau audited its action for fiscal years 2021 and 2022.

Best practices

- The Association has a vital role in supporting and strengthening the legal profession community in Palestine, and ensuring they have the necessary support and guidance to have their professional and social goals.
- According to law of the Association 3/1999, article (3), the board shall have regulations to form special funds for the practicing lawyers and regulate the legal profession in Palestine, and shall present these to the general assembly for approval.
- A financial surplus of 3,794,321 Dinars has been generated in 2022, due to the improved financial solvency of the Association's different funds.

Significant observations

Opinion of the Bureau on the financial statements

Qualified opinion:

Except for the effects of the matter described in the *Basis for Qualified Opinion* section below, the financial statements present fairly, in all material respects, the financial performance of the Association for the mentioned years, in accordance with the international financial reporting standards.

Basis for Qualified Opinion:

- There were not sufficient assurances about sustainability of the Association's funds (pension, health insurance, fellowship, cooperation), due to the following reasons:

- Each of the Association's funds, especially pension, does not have bank account and cost center, which increases the risk of using the money of this fund (the biggest) to cover the losses of other funds, and undermines sustainability.
- The Association did not use actuaries of the professional associations' pension and health insurance affairs since these funds were founded, which undermines responding to present and future financial position-related risk.
- The health insurance department of the Association did not provide the insurance committee with special reports on status of health insurance fund, which undermines capacity of the board to take remedial decisions in due course, and have development plans based on information flow from these reports.
- An amount of 116,782 Dinars was paid on exceptional basis from the health insurance fund during 2021 and 2022 by means of board decisions outside the approval from insurance company in charge. That might undermine the fund's capacity to cover health service of members in the future, and undermines the Association's neutrality and trust of members in the management and the ability to preserve their interest.
- Payments were made from the cooperation fund that are not by nature categorized as human assistance. Payments to beneficiaries of the cooperation fund lack supporting documents.
- Board of the Association did not take action against the lawyers who are not practicing the profession, did not have stamps from the Association or did not have any notarized

document at the Palestinian courts, but at the same time enjoy all privileges that funds of the Association provide, like any practicing lawyer.

- Investments of the Association dropped compared to size of funds it is holding. The size of investment reached 2,744,945 Dinars as at 31.12.2022 as per fair value (with reevaluation profits), which equals 7% of funds they have as at that date (value of cash balances, 39,192,811 Dinars).

- A qualified opinion was expressed to validity and completion of the Association's revenues generated from lawyers' fees and agents of public and private joint-stock companies, due to lawyers' (agents) failure to pay annual fees for the companies they are representing, as per laws and regulations. Successive boards of the Association were not following up the revenues generated from these fees.
- The failure to pay the Association receivables at 279,380 Dinars was not processed for years. This amount was generated during successive boards of the Association on tenants of an estate in Beitunia the Association bought 2007, because no legal action was taken against tenants who defaulted payment. That increased the doubtful debts by 98% of the receivables' value as at 2022.
- In 2021, the Association adopted the NIS as the revenues and fees collection currency (5 NIS equal 1 Dinar), besides the Association's main currency; the Jordan Dinar. That increased the exposure to fluctuated exchange rates, thus affecting the general surplus.

Opinion of the Bureau on compliance

Qualified opinion:

Except for violations described in the *Basis for Qualified Opinion* section, the activities and transactions described in the financial statements do match the governing legal rules (provisions) from all material respects.

Basis for Qualified Opinion:

- The Association did not comply with the pension regulations for Palestine lawyers 1/1998, article (7), by not allocating a separate bank account to deposit and pay all funds of the pension fund.
- The Association did not comply with the pension regulations for Palestine lawyers 1/1998, article (10), by not hiring an external auditor to have a separate report about financial performance of the pension fund.
- The financial department of the Association distributed the revenues from notarized documents at two thirds for the pension fund, the remaining third was equally divided between the Association and training funds, contrary to the notarized documents regulations, article (7) that explicitly indicated the percentage for the pension fund (80%).
- Receivables of minors (heirs to lawyers) held by the Association are not transferred to Establishment for Management & Development of Orphans' Funds, contrary to law of the Establishment 14/2005, articles 16 and 17.
- The Association did not distribute the 50% of the remaining balance in cooperation fund in 2021 for the pension fund benefit, contrary to amended regulations of the cooperation fund 3/2009, article (14.1).
- There is not a management committee for the cooperation fund to perform the assigned tasks, such as considering applications of beneficiaries (practicing and trainee lawyers), recommending the approval or non-approval and other tasks, contrary to law that regulates the cooperation fund, article (8).

- The Association did not calculate the income tax on the staff income from additional work, contrary to decree law on income tax, article (8).

Governance

- The Association neither had the necessary amendments to its laws, nor approved the regulations. The Association does not also have financial regulations for cash receipt/depositing and payment.
- The Association does not have an investment policy or guide, which does not help proper decision making regarding investment by the management. The Association is not fulfilling the investment goals (generating profits, increasing the financial solvency).
- Duties and powers are overlapping between the board and executive management. Some board members are performing executive duties that should be originally done by staff, by heading the executive committee to moderate action of the Association.
- There are 1839 lawyers in 2021 and 2022 who did not deal with Palestinian courts as 'practicing lawyer', did not have any stamp and did not approve any notarized document in the Palestinian courts. Yet, they are benefiting from all privileges from the Association's funds like any practicing lawyer, which represents financial load and affects the sustainability of these funds.
- Annual plans associated with strategic plan and in line with the Association's strategic goals are not made.
- There are not staff affairs regulations for the relations of the Association with staff, by providing the staff with specific guidance and directions about their rights, duties and expected conduct therefrom.
- Assets of the Association are not inventoried at end of period, where it was found there are not inventory minutes of its assets.

Significant recommendations

- The Association should consider having extensive amendments to its laws and regulations, in order to improve the performance and ensure keeping pace with legal developments and financial loads of funds. Financial regulations should be approved as reference for all financial operations and transactions of all Association.
- The Association should approve an investment policy to state the strategic investment goals and ensure sustainability of the Association's funds, especially pension.
- There should be clear separation between supervisory and control powers of the board on one hand, and powers of the executive management on the other hand, so the board would identify the general policies and strategies and regulate legal profession, whereas the executive management would be responsible for having these strategies in place, as well managing the daily affairs.
- The Association should monitor the lawyers who paid practicing fees but do not actually practice the profession. The board should take decisions against those to preserve the Association's rights and sustainability of its funds.
- The Association should use actuaries to analyze conditions of pension and health insurance funds, and have binding recommendations for the board approved by the general assembly, which should lead to amendments to regulations of these funds to suit the present conditions and ensure sustainability.
- Payments from the health insurance fund on direct and exceptional basis should be stopped. The responsible insurance company, as the entity that is managing medical service, should make all payments from this fund.

- A separate bank account per each fund should be established, in compliance with law of the Association and to enhance its cost centers.
- The existing board should have the suitable legal action in place in order to collect accumulate financial dues from tenants of the Association's estate in Beitunia, in order to preserve rights and interest of the Association.
- The board should have strict legal action and discipline panels against agents of companies who are not paying annual due fees.
- The Association should have special policy or regulations that explain items of the salary scale, as part of full management regulations attached to the approved salary scale.
- Management of the Association should open two bank accounts for dues of end-of-service and the saving fund, and should keep cash balance that matches the accounting records for the same purpose.

Response of entity

Response was positive, where management of the Association expressed preparedness to remedy the deviations as per observations of the report.

2. Government land allocation for the benefit of housing cooperatives

The number of active housing cooperatives in the West Bank reached 103. The main purpose is providing members with proper houses, managing and maintaining these houses. The Bureau audited the allocation of state land for the benefit of housing cooperatives, in terms of legislative and regulatory environment of the allocation, as at 2023 end.

Best practices

It was found that the Palestinian government decided in 2022 to stop all allocations for the benefit of housing cooperatives until special regulations to control the process are out, which indicates government direction to regulate this matter in an institutional framework.

Significant observations

- Legislations do not include sufficient and clear provisions to ensure that allocations are meant to have the desired targets and the Sustainable Development Goals (SDG 11): 'Make cities and human settlements inclusive, safe, resilient and sustainable'. The purpose of allocation or the target society groups were not mentioned in laws or regulations.
- Entities in charge do not have sufficient and approved protocols to ensure that allocations agree with conditions stated in legislations and the allocation decision.
- There are not approved and well-thought standards to determine the space and location of state land to be allocated, which leads to loss of land intended for strategic projects with priority on the short or long run.
- Allocations focus on beneficiaries, mainly civil servants, where it was found that most of allocations were directed to housing cooperatives for staff of ministries and official entities.
- Entities in charge did not take action to verify that no estates are registered to names of beneficiaries, contrary to the president decree 45/1997, article (4).
- A number of housing cooperatives had lands allocated by the government, which only have 16 beneficiaries (members), whereas the beneficiaries of other cooperatives exceeded 40. This is contrary to the president decree 45/1997, article (3), and contrary to the Palestinian cooperatives

law 20/2017, article (15), which state that the number of beneficiaries from government land shall not be less than 16 members and not more than 40.
- Some cooperatives do not start construction on land allocated by the state, although years have passed since the allocation decision has been made. Land Authority or the former Ministry of Housing do not have protocols requiring the cooperatives to meet the purpose of allocation, contrary to the president decree 45/1997, article (6).
- Entities in charge did not monitor the allocations file, and did not adequately enforce powers stated in law.
- There is a number of beneficiaries who fall outside target groups, such as Ministry of Finance staff (the Police housing project), and non-staff citizens at the Political Guidance Commission (staff housing project).
- The Land Authority relied on old valuations to estimate the land value, which affected the accuracy and proportion of valuations and the value collection of allocated land. Instances of failure to document valuation data in files of some cooperatives have been observed.

Significant recommendations

- All future land allocations should be associated with development goals and target groups, which achieves sustainable development priorities and the state's development priorities.
- The legislations and regulations that govern the allocation process should be amended to ensure it achieves the intended objectives.
- The Council of Ministers should adopt clear and well-defined procedure manuals for managing government land allocation processes for housing cooperatives. These procedures should include criteria for accepting or denying allocation applications, and should be documented and made available to all stakeholders.
- The Council of Ministers should diversify the entities benefiting from the allocation, in line with Sustainable Development Goals and the National Development Plan.
- Amendments should be introduced to president decree 45/1997 regarding the entities that enforce the decree provisions, in order to ensure the Land Authority is assigned to require beneficiaries of future allocations to comply with allocation conditions the decree states.
- Entities in charge should develop effective procedures prior to the allocation decision in order to verify that no properties are registered in the name of the beneficiaries or their spouses.
- The Land Authority should refuse to register any land plot in the name of housing cooperatives with fewer than 16 or more than 40 members after the allocation decision is out. Entities in charge should monitor allocation applications prior to decision making, and should present recommendations to deny any allocation decision unless it meets the required conditions.
- Effective and binding protocols should be established for housing cooperatives that obtain government land allocations for housing construction purposes, in order to ensure the immediate construction work and land use in accordance with objectives of the allocation decision.
- Transparency should be enhanced in the valuations of land for which allocation decisions have been issued. Sufficient and clear information should be provided to stakeholders by relying on up-to-date valuations prepared by the valuation committee immediately after the allocation decision is issued. Accountability protocols should be strengthened in the event of violations or misstatements.

Response of entity

Observations of the report were emphasized.

3. 'Daman' for Small Enterprises, Ramallah

'Daman' was established 2015 as non-profit company that intends to provide guarantees to non-performing loans of microfinance institutions in areas most affected by Israeli occupation policies. The Bureau audited action of the Company for the fiscal year ended 2021.

Best practices

- The Company is one of three enterprises that represent the lending insurance sector in Palestine.
- The Company was able to raise funds with a foreign grant at 1,050,000 Euro for three years from Luxemburg government, which enabled the increase of net assets balance (total property rights and donations) over the past years, until it reached 527,790 USD as at 2021 end.

Significant observations

Opinion of the Bureau on the financial statements

Qualified opinion:

Except for the effects of the matter described in the *Basis for Qualified Opinion* section below, the financial statements present fairly, in all material respects, the financial position, financial performance and cash flows for the year ended Dec 31st, 2021, in accordance with the international financial reporting standards.

Basis for Qualified Opinion:

- Value of the Company's obligations (accounts payable to partners, 549,374 USD) were not fairly presented as at 2021 end, due to invalid recognition of value as accounts payable instead of 'an allocation for liabilities of the standing claims', which led to invalid value of property rights due to failure to perform annual reconciliations.
- There was a reasonable and sufficient assurance about the Company's payment of in-kind donations (33,986 USD in 2021), as there were not any documents that support these activities.

External auditor

In its general assembly meeting held 01.02.2021, the Company did not elect an auditor for the next fiscal year, where the contract with 'A.N. for Audits & Financial Consulting Co.' remained for eight consecutive years (2015-2022), contrary to internal regulations of the Company, article (14) that states the annual selection of auditors.

Management of action & evaluation of bids

- The board did not decide to contract with a specialized foundation to manage action of the Company or one of its programs. The 'R.G. Co.' has been contracted to perform accounting tasks, and evaluate loans and claims on Company's behalf, contrary to internal regulations, article (29.d) that restricts the contracting decisions with specialized companies in the board.
- It was found that 'R.G. Co.', which was contracted to manage some of the Company's works, is not a financial enterprise that evaluates loans and monitors insolvency transactions, also lacks staff experienced in managing the financial portfolios and credit risk.

Conflict of interest

It was found that one of the Company's founders combined the membership with board chair of another company, the latter is benefiting from 'Daman' as loan guarantor, besides the board chair and executive manager of another private company (private joint stock) that hosts 'Daman'.

Remedial of status

The Company did not remedy status as per the non-profit companies' regulations 20/2022 out 15.08.2022, article (41) regarding the number of shareholders and board members.

Accounts payable

The coverage limit for the guaranteed annual loans from the three lending enterprises has been recognized as accounts payable, instead of acknowledging the value of accounts payable as an allocation for the standing claims. There were not reconciliations for the value of allocation (accounts payable), which does not help fairly present the value of possible liabilities and leads to invalid value of property rights, which increases credit misuse risk in case of liquidation, and brings ineligible benefit to the three lending enterprises.

Loan guarantees

The Company guaranteed 45 loans during 2021 that violate the payment term agreed in the terms of reference with 'K.T.T. Co.', also guaranteed 18 loans that violate the covered geographical area standard as per the terms of reference with 'K.T.T.' and 'D.T.Q' companies. That does not provide the Company with assurance about the compliance of lending companies with the standards agreed upon in the terms of reference, and might cost the opportunity to guarantee prioritized projects as per purposes and objectives of the Company. Failure of the latter to check the loan value refund after claim payment will cost the Company its financial right in this regard.

Balances of active loans

The Company did not perform sufficient procedures to monitor the statements and balances of the active guaranteed loans. There was no assurance regarding the validity of balances of active loans (which did not have the last instalment paid).

Supervisory entities that regulate & control the Company

- There are not new legislations, and no provisions were added the previous laws, which makes the Palestine Monetary Authority the entity responsible for these companies and work nature, despite there are three Palestinian loan guarantee companies that now have business. Thus, it was not found whether the Company had a license from the entity in charge (Palestine Monetary Authority), which does not provide a reference entity that regulates and directs the action of this sector. Instructions of Palestine Monetary Authority in this regard were only instructions 21/2020 on lending enterprises, in terms of the adoption of guarantee programs and allocations calculation method, whereas no effective and applicable instructions for the guarantee companies sector have been directed.
- The Company adopted technical regulations for action that are not approved by entities in charge (Palestine Monetary Authority).
- Palestine Monetary Authority did not perform any inspection visits, in order to ensure sound financial action, valid presentation and disclosure in the financial statements and accurate percentages used for loans guarantee.

Significant recommendations

- The Company should have and enforce protocols to encourage and direct the lending companies to approve special programs to support the marginalized and the more exposed than others to Israeli occupation risk. There should be more economic empowerment loans, and more risk should be taken in these programs in agreement with declared goals as per the articles of association.
- The Company should end the conflict of interest with 'R.J. Co.'
- The Company should amend the internal regulations and remedy the situation as per the now-effective non-profit companies' regulations of 2022.
- The Company should have correct and suitable accounting processing for nature of its works, which ensures the sound presentation, disclosure and protection against possible risk when liquidating the company.

- The Company should have protocols to evaluate and consider the credit on professional basis, and should look into and express fair judgment for loan files, while considering the agreement of loans with standards.
- Entities in charge should review the legislative environment (regulations) that govern the lending enterprises in Palestine, by having regulations and instructions that guarantee clear protocols and sufficient powers that enable the control and accountability of Palestine Monetary Authority, like other specialized lending enterprises.

Response of entity

Response was positive, where the Company expressed preparedness to remedy the deviations as per observations of the report.

4. Poultry Farmer Cooperative Society, Ramallah & el-Bireh district

The Society was founded 1974 in Ramallah and el-Bireh district, which does it job as per decree law 20/2017 with regulations on cooperatives. The Society intends to meet the members' needs of poultry farming and chicken marketing and sale. The Bureau audited the action of Society for the fiscal year ended 2021.

Best practices

- Chicken prices (per kilo) are stable for farmers in order to prevent losses. Management of the Society compensates farmers for the sale price drop to sustain and empower them.
- Farmers are provided with all necessary supplies for production, as the Society has a hatchery and feeds factory.

Significant observations

Opinion of the Bureau on the financial statements

Qualified opinion:

Except for the effects of the matter described in the *Basis for Qualified Opinion* section below, the financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the Society for the year ended Dec 31st, 2021, in accordance with the international financial reporting standards.

Basis for Qualified Opinion:

- The annual income tax expenditures are recorded as loans to the Society in the financial position statement, and not deducted from surplus (net profits/losses) annually generated. That overstated the Society's assets and affected the profit distributions, where surplus (net profits/losses) used to be recorded higher than actual value due to failure to understate its tax expenditures.
- Bank Balances in foreign currencies were not evaluated in the financial statements as per the exchange rate as at 31.12.2021, where an increased difference at 227,715.6 NIS was found in the financial statements balance, as per the exchange rate of 31.12.2021 used to evaluate the balance.
- The financial statements did not include any explanatory notes regarding the accounting policies followed to prepare these statements.
- The financial statements did not include a note regarding the legal lawsuits the Society filed against third parties, and those filed by third parties against the Society, with potential financial impact.

- Assets of the Society (land plots, estates, shop lease premiums) have not been evaluated for a long time (up to 20 years), which does not provide the correct value and accumulate surplus of the assets.

Governance

- The management committee did not take action and did not approve policies to maintain sound financial and management performance of the Society, with sustainable action, fulfilled goals and protected assets.
- There are Society members who do not meet membership conditions (owning a farm, raising poultry themselves), contrary to purposes of establishment.
- Some members have been accepted to the new management committee despite their indebtedness, contrary to decree law 17/2020 on cooperatives, article (34.6).
- The general assembly did not decide to approve rewards to the management committee members during 2021, contrary to decree law 17/2020 on cooperatives, article (35.2).
- The monitoring committee did not have any decisions to address the shortcomings in the Society's performance in order ensure no constant annual losses. No financial and management reports have been presented to the Cooperative Action Commission as the entity in charge, in light of the emerging disagreements between members.
- The Society did not properly attach its expenditures to the different cost centers. The management and general expenditures (789,013 NIS) were not distributed to the different cost centers, which prevented accurate and fair action findings of each center (profits, losses), and prevented the management from taking remedial action and decisions to ensure well performance and productivity of different centers.

Accounts receivable & collections

- The management did not take action necessary to collect the accounts receivable the members owe (36% of total accounts receivable), which are due for more than three years with no legal or administrative action taken.
- Risk of failure to collect increased due to accepting cheques for collection to pay for service the Society provides to members, without conditioning that cheques should be endorsed.
- There is not sufficient assurance about validity of doubtful debts balance, due to lack of clear financial policies and board decisions to regulate the calculation and recognition.
- Members did not sign bills of exchange for the debt they hold; despite they signed approval forms for value of amounts they owe.
- The end-of-service allocation was calculated, approved and recorded in the financial statements for 2021 without supporting documents or records.

Feeds factory

There are not adequate controls over the production formulas of feeds factory, because they are not approved by Palestinian official entities in charge. Raw material are directly admitted into the packaging program without standard measurements. The factory does not have quality department to check the quality and validity of production formulas, qualitatively and quantitatively, and the agreement with standard specifications.

Chicken meat shops

- The poultry department is having continuous losses, which showed record deficit in 2021 that caused accumulate losses from 2019-2021.
- The controls over sale points are decreasing, which led to insufficient assurance of sound measures, and possible misstatements that are not discovered in due course, whether intentional or unintentional, which directly affect performance. Performance and the keep feasibility of

shops are not evaluated, especially in light of failure to generate financial surplus at year-end, despite they are located in Ramallah city center.

Chicks & hatchery

- The Society approved a foreign company (M.N.) to provide eggs for the hatchery, without inviting to bids or quotes, which does not allow competition from Palestinian chicken eggs producing companies.
- The Society lost 123,950 NIS in 2021 because eggs that arrive to hatchery does not match the correct specifications and standards of hatching requirements.
- Some members got a number of chicks more than calculated shares, contrary to the calculation standards for the number of chicks the distribution committee approved.

Compensation

Standards of the compensation committee are not applied to all members, where compensation was paid to members who do not own farms and do not raise poultry, which denied 26 members the right to use the compensation.

Allowed discount

Value of discounts and disposed amounts is not recognized in the financial statements from minutes duly documented. The size of expenditures that should be attached to the allowed discount is of significant value.

Product pricing as per market

There are not written policies on how products are priced based on cost formulas and comparison with market prices.

Significant recommendations

- The necessary legal and management action should be taken to collect debts from members nominated for the management committee. The rewards payment to the management committee members should be regulated.
- The monitoring committee elected from the general assembly members should perform its job as per provisions of decree law 20/2020 on cooperatives.
- All of the Society accounts should be disclosed to ensure valid financial position and financial statements. The misstatement in the accounting recording should be remedied, and the banks foreign currency balances should be interpreted at fiscal year-end.
- A technical committee should be formed to evaluate all problems and causes of the shops' decreased performance and losses. These problems should be remedies as per potentials, and automated systems for stock management and sales should be introduced.
- Eggs procurement should be regulated by inviting bids from the Palestinian egg-producing companies. A product-pricing guide should be set based on operating cost and expenditures compared to market prices.
- Clear and specific policies for percentage of doubtful debts should be approved. All discounts and disposed amounts should be recognized in the audited financial statements.
- Board of the Society should have standards on compensation payment to members as per principles, and should be approved by the general assembly.

Response of entity

Response was positive, where the Society expressed preparedness to remedy the deviations as per observations of the report.

5. The Palestinian Association for Empowerment & Local Development 'REFORM'

The Association has been founded 2015, which operates in community development and human rights. The Bureau audited the action of Association for the fiscal years ended 2021 and 2022.

Best practices

The Association won first place in the Global Diversity Award 2023, held in Canada, due to its part in building bridges between the Palestinian factions and supporting the youth involvement, besides the increased activities (with beneficiaries) it is holding each year.

Significant observations

Opinion of the Bureau on the financial statements

The financial statements present fairly, in all material respects, the financial position of the Association as at 31.12.2022, with financial performance, cash flows and changes to assets for the fiscal year ended that date, as per the international financial reporting standards.

Significant audit matters

The significant audit matters, according to our professional judgment, are the ones with the greatest attention in our audit of the financial statements of the year ended 31.12.2022. These matters were taken into consideration in the audit of entire entity to have and opinion thereto, not to express separate opinion about these matters.

Significant matters

- The Association did not enter accounting transactions immediately when occurred, but entered after more than one month.
- The transactions entry was delayed after the first month of subsequent fiscal year.
- The delayed transactions entry and carryover caused transactions actually performed in bank, but only entered in books several months afterwards.

The general assembly

- The number of general assembly members dropped to only 22. The chair and the treasurer remained in office for two consecutive electoral cycles, where the board of the last 3 cycles has been approved by recommendation.
- The executive management of the Association performed tasks that fall within powers of the board head or deputy board head, such as representing the Association before third parties (signing agreements with donors).

Staff

- The salary scale varies between different positions.
- Increased staff turnover in financial department, where it has been staffed by almost three employees (accountant) from 2022 to 2024, besides the cycled position of financial manager or acting manager.

Carryovers between project accounts

- It was found that the Association covered the expenditures of some projects from bank accounts of other projects and for the general bank account, despite there are separate bank accounts for each project. There are not clear written standards that explain the cases where carryovers between project accounts are allowed.

Significant recommendations

- Accounting transactions should be immediately entered, and entry should not be delayed for more than one month, in line with the Association's financial guide, chapter nine, article (9.2).

- Membership should be open to the public in order to increase the general assembly members, and to introduce changes to the governance regulations based on various direction and guaranteed open participation.
- The board should duly perform powers, with emphasis that all works of the Association should be regulated with documented general assembly and board decisions, which internally regulate action and relations with others.
- The board should have in place the supervisory powers in order to provide the existing management with advice on leading policies regarding the attention to academic and professional competencies.

Response of entity

Response was positive, where the Association expressed preparedness to remedy the deviations as per observations of the report.

6. Happy Homes Society for Culture & Development

The Society is a Palestinian non-profit organization founded 2005 in order to attend to families, by focusing on the child and woman-related issues. The Bureau audited action of the Association for the fiscal year ended 2022.

Best practices

- The Society can provide the least-privileged women in community with employment opportunities.
- The Society depends on internal finance sources, in order to sustain under different circumstances.
- The Society provides a pool of various services that include all family members, such as economic, social, cultural and psychological empowerment. The Society is constantly developing the infrastructure to aid its capacity to improve service and products.

Significant observations

Opinion of the Bureau on the financial statements

The financial statements present fairly, in all material respects, the financial position, financial performance, cash flows and changes in assets as at Dec 31st, 2022, in accordance with the international financial reporting standards.

Significant matters:

- Poor internal controls over the financial and management affairs, due to lack of an internal auditor.
- Cost centers for the canteens and cafeterias of the Society have not been made, which means lack of knowledge about the profits and losses of projects, adversely affecting the management decisions to maintain or suspend the action.
- The revenues box is at the accountant's custody, taking into consideration she also performs payments, bank depositing entries and bank reconciliations, contrary to internal control basis.
- The financial department does not make periodic bank reconciliations for bank accounts, which does not aid immediate discovery of the outstanding items and misstatements, and undermines the controls over bank accounts.
- There is not documenting cycle for the control of stock. There is not book that contains the stock items, and no possible comparison between the book and actual balances. The end-of-term stock is not stated in the accounting software.

- The Society does not perform periodic fixed assets inventory as per official minutes, in order to assure the balances of supplies and assets as at 31.12.2022. The value of assets was disclosed in the financial statements at 2022 end without inventory.
- The annual depreciation cost was made outside the accounting software and the Society's records. The depreciation cost is not stated in accounts tree of the accounting software.
- The accountant is granted absolute powers to enforce the management and financial decisions (pays the staff in canteens and the reserved workers).

Internal control & regulations of management affairs

- Most of the board's management decisions are taken by only the chairwoman and the treasurer, without holding meetings for most of the board members.
- The accounting software is not closed at fiscal year-end, where the financial data of previous years could be modified.

Revenues

- There is not receivables account for the board members, and no lists showing the accumulate accounts receivable in each member's account.
- Payments are directly made from the revenues account, supporting documents are not attached and they do not have the necessary management approvals.

Bank accounts

- There is not an account for the bounced cheques. The accounting processing is not correct, which increases the risk of misusing these cheques for personal profits.

Warehouse

- There is not an electronic system to regulate stock admission and discharge, and to determine the balances and amounts of existing and discharged items.
- The stock inventory minutes for all canteens is not separate and not signed by relevant staff.

Fixed assets

There is an account under '2008 assets' name with 36,892 NIS, detailed in the asset annexes attached with the audited financial statements, but not processed in the accounting records.

Payrolls & rewards

- The end-of-service cost at 63,803 NIS was not disclosed as part of expenditures in the audited financial statements for 2022, but categorized as part of payrolls expenditures account.
- The income tax on taxable staff payrolls was not calculated, deducted and deposited to income tax department.
- No supervision from the board over the making, regulating, approving and reviewing of payrolls.
- It was found that direct payments were made for cheques that represent total payrolls of canteen, kitchen and library staff during 2022 to pay them in cash.
- There is a difference in the value of payrolls calculated for 2022, compared to what has been disclosed in the financial statements (231,466 NIS less).
- There is not a bank account for end-of-service rewards. The account value disclosed in financial statements does not fairly present the actual valid balance.

Significant recommendations

- All decisions on financial matters, and other matters, should be approved by the entire board members, and should be documented in meeting minutes.
- The present accounting software should be reconsidered and developed so the financial data would be accumulate and easy to access. The opening balances should be electronically carried

over and closed at the fiscal year end, so they would not be modified. A cost center for each project should be prepared.
- A receivables account should be set in the accounts tree for board members, if recording is approved as per accrual basis.
- The revenues box should be in custody of only one treasurer, who should keep the key in possession.
- The Society should determine the treasurers of branches as per an approved letter, based on the board meeting minutes.
- The kitchen box should be cancelled and other controls should be set, such as entering the kitchen's revenues in subsidiary receipts. Direct payment from the kitchen's revenues should not be made.
- The Society should have periodic bank reconciliations to enable the immediate discovery and remedial of misstatements.
- A file for bank accounts should be regulated, which contains bank deposit slips and bank reconciliations.
- An account for the cheques box for all received and bounced cheques should be set in the accounts tree.
- The Society should take effective measures to collect debts.
- Value of doubtful debts should be calculated and respective allocation should be set as per the accepted accounting principles, and should be approved by the board on annual basis.
- The Society's management should set clear written protocols to calculate the end-of-service allocation.

Response of entity

Response was positive, where the Society expressed preparedness to remedy the deviations as per observations of the report.

7. Future Generation Hands Association, Nablus

The Association has been founded 2005 in Nablus, and intends to assist the families to have decent living, and contributes to individual and collective aid and social activities for children and the youth. The Bureau audited action of the Association for the fiscal year ended 2022.

Best practices

- Accumulate surplus of 1,662,771 USD has been achieved as at 2023 end, which represents the net assets disclosed in the financial statements on 31.12.2023, generated by the building the Society owns in west Nablus.
- Operational financial surplus of 739,614 NIS has been generated in 2023 from in-kind donations to construct and finish the Association's building.
- Payment of guarantees was approved with bank transfers, which provided the management with effective controls over the executive action, and reduced the cost of having cheque books issued.

Significant observations

Opinion of the Bureau on the financial statements

The financial statements present fairly, in all material respects, the financial position, financial performance, cash flows and changes in assets of the Association as at Dec 31st, 2022, in accordance with the international financial reporting standards.

Governance

- Only 15 out of 22 members were present at the general assembly meeting held 2023, whereas 9 board members were present. Thus, the board formed more than half the participants in the meeting, which leads to the general assembly's inability to evaluate performance of the board and take suitable decisions.
- There is not an internal control officer, contrary to applicable financial regulations, which leads to possible misstatements not disclosed in due course.
- The Association does not have approved and documented procurement regulations, which does not assure the needs fulfilment at best specifications and least prices.
- The Association does not change the external auditor on periodic basis, which leads to impartiality risk in the audits.

Cash & bank reconciliations

- Bank balances were approved in the 2022 financial statements without having bank approvals, contrary to principles, which might not lead to assurances regarding complete and fair balances in the financial statements.
- Value of cash available at the Association dropped significantly. There is not an account for end-of-service rewards, which might lead to inability to meet all of the resulting financial obligations.
- Not all cash receipts are deposited at banks. Payments are directly made from revenues box, which undermines the control over cash.

New building of the Association

- The Association did not invite bidding from suppliers and contractors, which might lead to inability to have the best offers and least prices.
- The tax on construction and finishing contractors is not deducted, contrary to the Palestinian income tax law, which cost the treasury amounts.
- The Association did not have well implementing or maintenance guarantees from suppliers and contractors, which might lead to inability to have legal guarantees for well implementing and supplying, and inability to address any shortcomings that appear after completion.

In-kind donations & stock

- Donations are registered with receipts and payment vouchers at the same time, which leads to zero donations balance on regular basis despite they are still at warehouse or exhibition, thus leading to stock value being presented at unfair balance in the financial statements.
- The used accounting software does not have a stock management feature to enter the value of material and donations. Transactions are not reflected on stock in the accounting system, which does not provide assurance on accurate and fair entries and records of stock.
- The stock records are not accurate due to constant changes to the stock balance by deletion and changes based on information from storekeeper. Periodic and unexpected warehouse inventory are not performed, where estimation of amounts is only based on data the storekeeper provides, which does not provide assurance about complete and accurate stock at any given date.
- Admission and discharge vouchers for the warehouse content are not used. There is not segregation of conflict stock management duties, which might not provide assurance regarding the complete and fair protocols followed to admit and discharge content to and from stock.

Sponsorship of orphans

- Sponsorship funds are only paid via the orphan's bank account, which denies the management an effective control tool over the payment of sponsorship.
- Copies of cheques handed to orphans and their sponsors are not kept, which denies the management an important control tool over the accuracy and fairness of payment.

Significant recommendations

- Membership should be open to the public in order to increase the general assembly members in order to introduce changes to the governance regulations based on various directions, and to ensure open participation.
- An internal control officer should be appointed, or an internal control committee should be formed.
- Procurement regulations should be set, or the financial regulations should be amended by adding articles to regulate the procurement.
- External auditor bids should be invited, and regulations stating the change of auditors every other year should be set.
- Bank approvals to all balances and accounts should be obtained at each December 31st.
- All cash receipts should be deposited in banks.
- Bids for procurement with value over 10,000 NIS should be invited as per principles.
- Tax should be deducted from service providers (who do not present tax vouchers), and should be deposited in income tax department.
- The Association should obtain well implementing and maintenance guarantees from suppliers and contractors in construction projects.
- Stock recording should be associated with the accounting software, and payments should only be recorded when actually happen.
- A committee should be formed to supervise periodic inventory.
- The Association should preferably rely on bank transfers to pay sponsorship to orphans.
- A copy of all cheques the Association gives should be kept.

Response of entity

Response was positive, where the Association expressed preparedness to remedy the deviations as per observations of the report.

8. Dar Al-Yateem Al-Arabi (Arab Orphan House) Society

The Society was founded 1961 as per the Jordanian societies and social entities law, in order to practice social and charitable action. The Society is sheltering orphans, and has all of Palestine districts as its work scope. The Bureau audited action of the Society for the fiscal year ended 2022.

Best practices

- Net surplus increased in 2022 at 602,125 NIS over 2021, which represents net action of fiscal year 2022.
- The cash available as at 2022 end was 2,446,209 NIS, a 39% increase over 2021.

Significant observations

Opinion of the Bureau on the financial statements

Qualified opinion:

Except for the effects of the matter described in the *Basis for Qualified Opinion* section below, the financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the Society as at Dec 31st, 2022, in accordance with the international financial reporting standards.

Basis for Qualified Opinion:

- The financial position statement in the financial statements for 2022 is unbalanced. Balances of assets and liabilities do not match, where there is difference at 23,400 NIS.
- Disclosure of bank accounts and balances in the 2022 financial statements is not valid, where the financial statements show an account for the Society at the HSBC Bank Middle East, contrary to bank approval.
- The Society has 51 shares in the Jordan Vegetable Oil Industries Co. Ltd. As per certificate No.3178 that dates back to 14.09.1984, at nominal value of one Dinar per share. These shares have been recognized in the financial statements for 2022, but the Society's management does not have documents for these shares that show owners or how they came in its possession. There is no assurance that these shares are still in the Society's name to date.
- The external auditor modified the end-of-term stock value to suit the actual warehouse inventory upon making financial statements for 2021 and 2022 respectively, without addressing this matter as per the acceptable accounting principles.
- There are not detailed official records for fixed assets, which show number, ownership date and price. Annual deprecation and accumulate depreciation of assets, which appear in financial statements, are calculated by external audit firm that has a contract with the Society, without sufficient lists and records to be used.
- The recording of in-kind donations for 2021 and 2022 is duplicate (8465 NIS), where this amount is mentioned in the financial statements for 2021 under 'reconcile stock account under processing' item, which was stated in the 2021 financial statements and balanced in 2022 at 'zero'. The 8465 NIS were stated under 'previous stock revenues' item as part of the 2022 revenues, contrary to the accounting principles.
- There are misstatements upon the calculation of end-of-service allocations the Society's management deducts to cover staff dues when service of some staff ends.

Governance

- The Society does not follow the membership standards and controls, where members are not granted the right to elect upon fees payment, which affects the election of board members.
- Members of the board misuse positions for personal benefits, especially appointing first-degree relatives in the Society.
- The management used the 'H.S' external audit firm to perform the internal auditor tasks, taken into consideration that this firm was responsible for auditing the Society's financial statements for 2022.

Financial regulations, policies & protocols

- There are not financial and management regulations, penal code and action guides that regulate work of the Society since establishment.
- The financial department does not make the necessary bank reconciliations for the Society's balances at banks.
- There is not segregation of the financial department tasks, where the accountant does the receipt, payment, depositing in banks, manual recording in accounting logs and cashbox.
- There is not one approved pricelist for the Society's events hall, but prices are estimated by staff.

Income tax

- The management did not deduct and deposit income tax from staff payrolls in the Ministry of Finance's income tax account.

Organizational structure

The Society does not have an organizational structure, and the successive boards of directors did not make a duly approved one.

Staff affairs

- Appointment conditions (announcing the vacancies in newspapers or the Society's website, exams, interviews) were not followed.
- There are employees who are holding two positions at the same place, the same office hours and at two payments each month.
- Two employees, who have academic degrees not suitable with work nature and job description, have been appointed.

Significant recommendations

- Membership standards and controls should be complied with, and members should be granted the right to elect upon fees payment.
- The management should monitor the shares of Jordan Vegetable Oil Industries Co. Ltd., and should verify actual existence of these shares in the Society's name.
- Protocols the management follows to evaluate in-kind material stock in warehouse should be clear.
- The influence of including 8465 NIS under 'previous stock revenues' item should be processed as part of 2022 revenues.
- The board should have duly approved organizational structure for the Society.
- Financial/management regulations, penal code and procedure manuals to regulate work should be set.
- The financial department should make the necessary bank reconciliations for the Society's balances at banks.
- Clear pricelist for the Society's events hall should be set and approved.
- Calculation errors for end-of-service allocations should be remedied.
- Income tax should be deducted from staff payrolls and deposited in the Ministry of Finance's income tax account.
- There should be segregation of the financial department tasks, especially the receipt, payment, depositing in banks, manual recording in accounting logs and cashbox.
- Appointment conditions (announcing the vacancies in newspapers or the Society's website, exams, interviews) should be followed.
- The impact of positions misuse by board members for personal benefits (apportioning first-degree relatives) should be addressed.
- Staff should not be assigned two jobs at the same office hours. Additional amounts other than monthly salary should not be paid.
- The conflict of interest brought by using an external audit firm to do the internal auditor tasks should be addressed.
- Academic degrees of staff should be considered upon appointment, and staff should be reassigned into jobs that suit academic degrees.

Response of entity

Response was positive, where the Society expressed preparedness to remedy the deviations as per observations of the report.

9. Palestinian Red Crescent Society, el-Bireh main offices

The Society was founded 1968, a huge health and social foundation that follows the Palestine Liberation Organization, which operates in Palestine and includes thousands of human resources, and tens of thousands of Palestinian, Arab and foreign members and volunteers. The Bureau audited action of the Society for the fiscal year ended 2022.

Best practices

- The management and financial regulations of the main and branch offices are the same.
- Unified organizational structure was approved to help improve performance and clear task distribution.
- There is an approved code of professional conduct to ensure the compliance of staff and volunteers with the highest professional integrity standards.
- There is an effective internal control unit to ensure application of good governance and integrity standards, and to enhance the trust in action methods.
- The cooperation with control and accounting entities is strengthened to ensure the compliance with national and international standards.

Significant observations

Opinion of the Bureau on the financial statements

Qualified opinion:

Except for the effects of the matter described in the *Basis for Qualified Opinion* section below, the financial statements provided to us present fairly, in all material respects, the financial position, financial performance and cash flows of the Society for the year ended Dec 31st, 2022, in accordance with the international financial reporting standards.

Basis for Qualified Opinion:

- The accounting classification and recording of some revenues involve shortcomings, where it was found that revenues of rehabilitation department (from the audited financial statements) do not match the actual respective cost center.
- Modification entries, reevaluation and classifications of the fixed assets accounts were not made at level of financial statements for 2022, and these entries were not reflected in the Society's accounting records and supported with necessary documents, which caused many differences between balances of the financial statements and accounting records for 2022.
- There is no assurance for complete and accurate disclosure of land the Society owns, due to the mismatch between the land disclosed in records of Land Authority and property tax department on one hand, and the certified auditor report and records of the Society on the other hand. This did not provide reasonable assurance about complete disclosure of land and estates.
- The Society does not perform annual fixed assets inventory, despite the increased volume and value of these assets, which does not provide assurance about actual presence and well use of all fixed assets.

Opinion of the Bureau on compliance

Qualified opinion:

Except for violations described in the *Basis for Qualified Opinion* section, the activities and transactions described in the financial statements do match the governing legal rules (provisions) from all material respects.

Basis for Qualified Opinion:

The Society did not comply with provisions of laws and regulations during the fiscal year ended Dec 31st, 2022 in terms of:

- There is not approved and unified legal reference for staff payrolls, because the main offices of the Society did not approve special regulations on the subject as per the approved organizational structure. The Society depends on civil service law to set and regulate payrolls, with some exceptions from the Society.
- The Society did not make the general budget, the revenues/expenditures account, cash flow statement and other final accounts within two months from the fiscal year end, to be presented before the executive office for discussion and necessary modifications, contrary to financial regulations of the Society, article (12).
- The Society did not perform periodic and unexpected inventory of the main warehouse, contrary to the financial regulations, article (112).
- There are not regulations approved by high management levels for pricing of service provided by rehabilitation department. Thus, there is not clear approved reference for these fees and limit of discounting, which causes unjustified and unorganized difference in pricing process and value.

Governance

- There are not serious decisions to address the shortcomings of the Society's performance, and to ensure no annual and continuous losses, especially for the emergency department.
- There is not procedure manual from high management levels to set protocols for marketing and booking, and to regulate all internal transactions of hospitality house with its difference departments (theater, kitchen, restaurant, housekeeping).
- Poor controls over the expenditures of emergency department, where some expenditures were not supported with tax vouchers, besides the variable fuel expenditures between ambulances.
- The Society with its centers greatly depend on foreign support to cover expenditures, which poses actual risk to the capacity to sustain action and service in case the foreign support is interrupted.
- The Society did not decide the court lawsuits between the main offices and different branches; despite each has independent legal personality. This led to court rulings being enforced against some branches at expense of others, which increases the outstanding items between branches that are left without addressing in due course.

Bank reconciliations

Bank reconciliations are made each month for all of the Society's accounts, but they are not reviewed to ensure that balances are matching and the supporting documents are attached. That poses poor internal controls that do not provide sufficient assurance on validity of bank accounts.

Insurance companies

The Society did not take necessary action to collect receivables of insurance companies, which caused outstanding uncollected receivables reflected in no cash provided in due course, and the increased non-collection risk, especially with the liquidation and closure of some insurance companies.

Fixed assets

There is not stock and warehouses management system, and no segregation in the account management for stock modification, which causes difficult monitoring of stock and identifying any problems or shortcomings in stock items, or to presence of slow-moving and idle items.

Internal revenues of ambulances

The internal revenues of ambulances declined, where the revenues only cover 11% of total expenditures of ambulances. The remaining expenditures (70%) are covered by projects.

Significant recommendations

- Complete disclosures of financial statements should be presented, which should include disclosing all of the Society's accounts and reflect the valid financial position and balances of their financial statements.
- All of the Society's land plots should be surveyed and registered. All necessary action for land settlement and registering at entities in charge should be taken, which ensure valid, accurate and complete disclosure of the land account balance in the accounting records and financial statements.
- There should be serious looking for additional finance sources, by increasing the internal working revenues.
- There should be communication with official entities to ensure the segregation of court lawsuits between the Society and its different branches, as each has separate legal personality. Amounts should be collected and the outstanding items between branch offices should be addressed in due course.
- Regular bank reconciliations should be made, and the outstanding items should be addressed and supported with necessary documents.
- The outstanding receivables should be followed up and reconciled, and necessary action should be taken to ensure no gathering receivables. Necessary management and legal action should be taken to collect and reconcile receivables of insurance companies.
- Annual fixed assets inventory should be performed and matched with assets recorded in the Society's system.
- The stock should be controlled and monitored, and necessary remedial action should be taken.
- Detailed regulations of staff payrolls should be set and approved as per the Society's organizational structure.
- Serious policies should be adopted and possible means should be in place to increase the collected revenues and rationalize the expenditures, especially the emergency department.
- Correct accounting recording should be followed regarding the revenues of rehabilitation department, recorded in its cost center.
- Special regulations for collections should be set and approved, as per limits and reasons of discounting.
- Pricing regulations should be set for hotel service, which should explain the powers and justifications of discounting, with target groups and price limits per each group.

Response of entity

Response was positive, where the Society expressed preparedness to remedy the deviations as per observations of the report.

10. Health Care Committees Society, Nablus

The Society has been founded 1991 in Nablus, as a non-profit organization that intends to provide health care service in al-Amal rehabilitation hospital. The Bureau audited the action of Society for the fiscal years ended 2022.

Best practices

- Accumulate surplus of 1,329,901 USD has been achieved as at 2022 end, which is the net assets disclosed in the financial statements on 31.12.2022, generated by the estates and land the Society owns.
- Operational financial surplus of 197,313 USD has been generated for 2022, against 43,936 USD in 2021.

Significant observations

Opinion of the Bureau on the financial statements

The financial statements present fairly, in all material respects, the financial position of the Association as at 31.12.2022, with financial performance, cash flows and changes to assets for the fiscal year ended that date, as per the international financial reporting standards.

Significant matters:

- Poor controls over fixed assets of the Society. The process followed to balance their value in the financial statements is not accurate due to reliance on detailed list of assets, which is annually updated contrary to principles. The assets register officer performs inventory of actual assets, and the register is accordingly updated without taking proper action to address any differences. There is not detailed assets list of the mobile clinic at the value appearing in financial statements for 2022 (26,687 USD).
- Procurements were directly made from revenues cashboxes at the main and branch offices, contrary to internal control and cash control basis.
- There are some increased or decreased differences between total daily receipts and amounts recorded in books, which indicates possible inaccurate and incomplete recording of received funds.
- The accounting period is not followed, where it was found the financial department entered the December 2021 revenues (previous year) as 2022 revenues, and the December 2022 revenues were not entered in the accounting records at year end, contrary to the accounting principles.
- The Society does not have an internal control unit or officer despite the many activities performed by its centers. The board did not have a management committee for internal control tasks, contrary to the accepted control regulations.
- Electronic or paper bank reconciliations are not made, which costs the Society an important control tool over the cash movement.
- Bids are not invited to perform procurement for the pharmacy and prosthetics department. There are not committees for procurements and receipt, where all procurement phases are singlehandedly performed by the officer in charge of the department.
- The Society sold two estates at 500,000 NIS without an auction being announced, and without a report made by two certified appraisers on the estimated price value, which leads to possible failure to obtain the best price.
- No segregation of powers between the revenues treasurer, petty cashbox treasurer and the accountant, where these three powers are in the hands of one officer (financial).

Governance & internal controls

- The Society did not change the external auditor on periodic basis, where it was found that the present auditor is auditing the Society for more than 10 consecutive years.
- Electronic bank reconciliations are not made, which costs the Society an important control tool over the cash movement.
- Procurement of medications is performed by only the pharmacist, without procurement committee, receipt committee, quotes and agreements with suppliers, which lead to no assurance regarding fairness of procurements.

Revenues

- Receivables on patients are not recorded in the accounting system, which costs the management an important control tool over the revenues collection and the collections in general, and leads to poor collection at the Society.

- It was found by significant review of physiotherapy department revenues there are differences between total receipts and amounts documented in books for the same period, so no sufficient assurances for accurate and complete revenues recording.
- Departments in charge (pharmacist, dormitory, senior management of accounting) do not approve the financial claims, which indicates no effective control over the collection of dormitory revenues, and leads to possible misstatements and differences.
- There is not electronic connection between the branches and central management. A cost center has not been set for each branch in the automated system, in order to record transactions of financial impact the branches are executing, which costs the senior management an effective control tool over activities of branches, and to possible deviations from objectives of the Society.

Significant recommendations

- Certified appraisers should be used when selling the assets by auctioning.
- All revenues collected to the cashbox should be deposited in banks on daily (periodic) basis, and direct payments from boxes should not be performed.
- Branches and main offices of the Society should be electronically connected to provide access to the automated system.
- Old recordings of assets should be referred to, which should be detailed and re-categorized properly.

Response of entity

Response was positive, where the Society expressed preparedness to remedy the deviations as per observations of the report.

V. Infrastructure Audit Department

	Report
1	**West Bank Water Authority, follow-up & control to water procurements & sales**
2	**Water Authority, projects of 2022**
3	**Public transport sector management**
4	**Joint service council for solid waste & wastewater management, Salfit district**
5	**Joint service council for water & wastewater, north Hebron**
6	**Delay fines: calculation & clearance with contractors, 2018-2023**
7	**Palestinian Fund for Employment**
8	**Jaba'a Electricity Company Ltd (J.E.C)**
9	**North Electricity Distribution Co. Ltd (NEDCO)**
10	**Government vehicles use in ministries, 2023-2024** (Ministry of Transport, Ministry of Education, Ministry of Finance, Ministry of Agriculture, Ministry of Health, Ministry of Endowments & Religious Affairs, Ministry of Labor, Supreme Judicial Council)
11	**Vocational training management, Ministry of Labor**
12	**Tubas District Electricity Company Ltd (TDECO), financial statements**
13	**Hebron Electricity Production Company Ltd (HEPCO), financial statements**

1. West Bank Water Authority, follow-up & control to water procurements & sales, 2022

The West Bank Water Department (part of the Palestinian Water Authority) is responsible for bulk water provision to service providers, by having equal distribution and optimal water use in order to fulfill basic needs in different regions of the nation. This report intends to ensure that the management of revenues, water debts and action taken by the Department agree with provisions of effective laws, regulations and instructions.

Best practices

- The Department relies on 'Expert' software to record water sales, receivables and collection.
- Meter readings of each community are taken by staff of the Department on monthly basis. Bills are automatically issued to each community via emails.
- The Department associates the development projects to local entities with scheduling the debts as prerequisite to grant projects, which are meant to install prepaid meters and renovate internal water networks.
- Water is distributed by certain shares per each community, based on a program set beforehand that takes the population density into account.
- There is a committee that considers water losses, which meets on monthly basis.

Significant observations

- The Department did not set general policies to decide official water tariffs, as per regulations from council of ministers.
- No connection between the ATS software the Department is using for water sales management and recording, and 'Bisan' software the Ministry of Finance is using.
- There are not agreements or understandings between Ministry of Local Government and the Department regarding local entities debts, as the Ministry is supervising the local entities.
- There are not regulations, instructions or decisions from council of ministers to define price of bulk water sales to providers, taking into account the applicable water price is not approved and not issued by council of ministers.
- The indirect cost (working and management expenditures of water production and distribution) is not considered. Fixing the water price at 2.6 NIS per cubic meter charges the Treasury the price difference between buying and selling, and cost of losses between the produced water amount and the sold amounts.
- The Israeli water company recorded interest each month due to delayed payment for water it sells. Monthly water consumption of the State of Palestine is deducted from clearance each month, where the value of interest in 2022 reached **436,650 NIS**.
- The Israeli water company adds the salaries of Israeli water department (part of the Israeli civil administration) to water bills. The Department is not provided with details of these salaries.
- There are losses in the monthly water amounts, which are the difference between the produced water amounts and sold water amounts. These amounts are not accounted for with communities, where the value of water losses in 2022 reached 17,129,780 NIS, 7% of the produced and procured water amount.
- Value of total sales during 2022 reached 233,095,654 NIS, and the value of collections from total sales reached 163,234,778 NIS. The collection represents 7% of total monthly bills.
- There are water pipelines and connections for communities that have their consumed water calculated each month by estimates, as there are not meter readings.

- There is no official agreement signed between the Department, communities and customers to provide water as per principles.
- There are old debts on municipalities, village councils and foundations from previous years at 3,062,431 NIS.
- The Department did not take legal and management action to address bounced cheques (value reached 72,531,601 NIS). The Department does not coordinate with Monetary Authority to handle legal problems and consequences of bounced cheques that local entities issue.
- Financial statements of accounts' balances for customers do not match between records of the Department and records of customers, which leads to differences that need to be addressed to control revenues.
- There is not full compliance by all bulk water distributors with scheduling with the Department. Individuals, service councils, water undertakings and water associations are not included in the penalties stated in council of ministers decision (17/215/17/C.M).

Significant recommendations

- The Department should have general policies to define the official water tariffs, as per regulations from council of ministers.
- There should be connection between the ATS software the Department is using to record and manage water sales, and Bisan software the Ministry of Finance is using.
- There should be agreements or understandings between Ministry of Local Government and the Department regarding debts of local entities, as the Ministry is supervising the local entities.
- There should be regulations, instructions or decisions from council of ministers to define price of bulk water sales to providers. The applicable water price should be approved by council of ministers.
- The Department should look into indirect water cost. The Treasury should not bear the price difference between buying and selling, as well as the losses value between the produced and bought amounts, and the sold amounts.
- Letters should be sent to the Israeli water company, requesting not to add monthly interest due to water procurement value. Monthly water consumption of the State of Palestine is deducted from clearance each month.
- Letters should be sent to the Israeli water company, requesting details of the Israeli water department salaries. Legality of adding these salaries to the clearance should be checked.
- The water amounts lost each month should be addressed, in order to ensure accounting for with communities and bulk water suppliers.
- The problems in some pipelines to communities should be addressed, where the amounts consumed each month are calculated by estimates.
- Official provision agreements should be made between communities, customers and the Department.
- The increasing debts on municipalities, village councils, foundations and entities that no longer exist by law should be processed.
- Legal and management action to address and collect bounced cheques by the Department should be taken.
- Financial statements of the accounts' balances should be matched between records of the Department and records of customers, and differences that require revenues control should be processed.

- All bulk water suppliers should schedule with the Department. Individuals, service councils, water undertakings and water associations should be included in the penalties stated in council of ministers decisions regarding water debts.

Response of entity

No response to the report was received.

2. Water Authority projects, 2022-2023

The Palestinian Water Authority has been instated by virtue of the presidential decree 90/1995. This report intends to ensure that the Authority was managing water and sanitation projects in 2022, and that they complied with provisions of effective laws, regulations, decisions and instructions, and intends to reveal deviations and shortcomings, if any, and suggest methods to address and avoid them.

Best practices

There are regulations for water users' associations, and action guides the Water Authority follows for some general departments. There is cooperation with stakeholders of the water and sanitation sector management.

Significant observations

- There are not strategic and working plans, which categorize projects by importance and implementing priorities, so they fulfill the goals and national policies agenda to help the underprivileged and remote groups.
- The Water Authority does not have a policy to determine the needs for water and sanitation pipelining projects it is undertaking.
- The Bureau does not have data stating the Water Authority is taking the population served as standard for projects selection.
- Poor coordination between stakeholders of the Authority's water and sanitation projects, such as Ministry of Local Government and Ministry of Agriculture.
- Poor monitoring and supervision of the projects in progress, and poor receipt procedures of projects.
- Not all project applications filed, whether approved or denied, are documented, which does not provide assurance about credibility of selection.
- The Authority did not set up rainwater drainage network in the village of Misilyah, Jenin district along with the sanitation network, which caused wastewater flooding unto lands of farmers.
- The Authority bears financial cost at 289,000 Euro, which could have been avoided, in the water project for Misilyah village, due to unsuitable design of sanitation project.

Significant recommendations

- Strategic and working plans, which categorize projects by importance and implementing priorities, should be set to fulfill the goals and national policies agenda to help the underprivileged and remote groups.
- The Authority should have effective coordination with stakeholders of projects selection, as this fulfills the general goal of projects.
- The projects in progress should be monitored and supervised.
- All project applications filed, whether approved or denied, should be documented. Reasons of approval or denial should be stated.

- The national water and sanitation strategy, which states 'the separation between sanitation and rainwater drainage networks', should be complied with.
- Design of projects should be reviewed before implementing starts, in order to ensure they fulfill the goals of projects.

Response of entity

The Authority responded to observations of the report. The Authority will take most of the recommendations into consideration.

3. Public transport sector management, 2022-2023

The Bureau carried out a performance audit for effectiveness of protocols the Ministry of Transport follows for the public transport sector management, and to what degree these protocols are meeting the needs of citizens and drivers.

Best practices

Ministry of Transport, represented by the traffic controller, is coordinating with the drivers' union in order to address and avoid the challenges that face this sector. There is a traffic safety committee, which includes many public institutions, to follow up the public transport sector, address challenges and provide the public with the best service.

Significant observations

- Ministry of Transport does not have a code of conduct for the public transport drivers, which regulates work and ensures that goals for proper service are being fulfilled.
- The action followed to decide the number of lines as per requirements of each, whether for the existing or the new ones, are not effective. The number of lines is associated with population, geographical distance, importance of area, etc.
- The protocols followed do not ensure licensed central taxi stops for all lines in local entities. The latter or Ministry of Local Government are not contacted to explain the damage resulted from failure to have central stops, especially regarding traffic congestion reduction.
- Protocols taken by the traffic controller department to regulate waiting times of passengers are not effectives. They do not address the waiting, whether caused during peak hours due to lack of taxis, or during morning/evening hours due to lack of passengers.
- Protocols the Ministry of Transport follows to provide public transport for the special needs are not effective. These protocols are meant to enhance the resilience of this group and inclusion like other citizens.
- Complaints the Ministry receives are not used to determine the most important matters that affect service to the public.
- Protocols the Ministry (traffic controller department) follows to monitor, follow up and inspect are not effective. They are meant to follow up the compliance of drivers with permit conditions, designated routes, number of passengers and tariff.
- There are not clear protocols at the Ministry for complaining, besides the ineffective monitoring by the general complaints department.
- Protocols of the government to reduce emissions pollution are not comprehensive and effective, due to lack of policy followed by the Ministry about the environmental dimension of different works and programs it carries out, in order to replace the existing vehicles with environment-friendly ones.
- Legislations and policies regarding suitability of public transport vehicles are poor.

Significant recommendations

- Code of conduct for drivers, which states ways of interacting with the public with profession ethics and respect, should be set.
- There should be coordination with local entities to require them to have stops in routes that fall within their borders.
- The available data about size of damage caused by the waiting of passengers and drivers should be analyzed, especially the respective complaints.
- The field monitoring and inspection unit should have effective monitoring of public transport vehicles, especially the compliance with conditions that regulate this sector, number of passengers, tariff, work hours, etc.
- There should be coordination with stakeholders to monitor the compliance of drivers with permit conditions, whether internal (monitoring & inspection, road safety) or external (the police, local entities).
- Ministry of Transport should set documented and approved procedures to provide the special needs with the public transport, for better inclusion in society.
- There should be effective coordination with internal parties in the Ministry and external parties (the police) in order to regulate the compliance with routes, which helps reduce traffic congestions.
- The feedback of complaints to the Ministry should be used, and areas that involve great number of violations should be focused on. A plan to regulate the complaints department should be set, and their files should be archived in way easily accessible at all times.
- An incentive policy for public transport drivers to own environment-friendly vehicles should be adopted. Emission tests should be promoted, with means such as stickers indicating environment-friendliness, with privileges to owners of these vehicles.
- The environment safety patrols should be in place, and a working plan to that end should be adopted.
- Decision makers should be provided with environment pollution studies, in order to adopt clear policy about reduction of emissions pollution**.** Recommendations of these studies should be monitored and enforced.
- Ministry of Transport should set the specifications of public transport vehicles (lifespan, dimension, etc.) in order to have suitable service.

Response of entity

The Ministry responded to observations of the report. The Ministry will enforce most of the recommendations.

4. Joint service council for solid waste & wastewater management, Salfit district, 2022

The joint service council for solid waste & wastewater management has been instated in 2005 with local government minister decision. It actually started action September 2009 under the name ‘joint service council for solid waste management, Salfit’ in order to jointly provide the solid waste management service with local councils in Salfit district, along with Qarawat Bani Zeid council. The council includes 18 local councils, where the Bureau audited its compliance in 2022. The audit included financial and management affairs.

Best practices

The council collected actual revenues of 1,945,110.50 NIS in 2022, at 90% of revenues estimated in the approved budget (2,144,712 NIS). The council has a financial committee of the board and approved by the local government minister, in order to sign cheques and financial transactions.

Significant observations

- The council does not have internal regulations, internal control unit or internal control committee to audit its action.
- The council does not manage the sanitation service in the district, which adversely affects its duties and goals of establishment.
- The hazardous medical waste, contagious medical waste and special waste are not separated which leads to environment pollution and disease outbreaks.
- Board of the council did not approve the calculation of waste fees and subscription fees as per principles, which does not provide assurance about validity and soundness of action followed to calculate and approve revenues of the council.
- Subscription fees of members who are defaulting payments are not recognized as revenues in the accounting books, and for members who did not finish or undertake the legal action for withdrawal. These amounts are not recorded as dues to the council, which leads to revenues and accounts receivable appearing in value less than actual.
- The correct accounting classification to calculate the machinery leasing fees and container maintenance fees is not followed, which leads to incorrect accounts.
- Building of the council in Salfit and Bidya (value estimated at 446,323.2 NIS) is not recorded as fixed asset in the accounting books, which leads to assets not appearing in correct value.
- There are items in the 2022 approved budget with financial allocations estimated but not spent, and others were spent without estimated allocations in the approved budget.

Significant recommendations

- Internal regulations for the council should be set and duly presented to the Ministry for approval, in compliance with the joint service councils regulations of 2016.
- An internal control unit or internal control committee should be instated in the council to audit its action.
- The board should make detailed studies and reports on how to separate the hazardous medical waste, contagious medical waste and special waste.
- The board and general assembly should approve and present the budget to Ministry of Local Government for approval as per deadline stated in regulations.
- Waste fees should be calculated by complying with the full cost refund principle, as per articles of association.
- Revenues due on entities that withdrew from the council, with associated receivables, should be recognized. The withdrawal procedures stated in articles of association of joint service councils should be complied with.
- The correct accounting classification in the accounting records should be followed.
- Value of the council building in in Salfit and Bidya should be recognized in the accounting books.
- Revenues with allocations in the approved budget should be collected, and expenditures that does not have allocations in budget should not be spent.

Response of entity

The council responded to observations of the report. The council will take most of the recommendations into consideration.

5. Joint service council for water & wastewater, north Hebron

The joint service council for water & wastewater, north Hebron has been established in 2018 as per approval from local government minister. The council is a service foundation that has independent legal personality, and ran by a board of directors. The council improves and develops the water and sanitation service in these communities. The Bureau audited the financial/management affairs, meetings of the council, supplies/assets and bids of fiscal year 2023.

Best practices

The council has cash balance that maintains action sustainability and the inability to pay obligations. Annual budgets of the council are set and presented to entities in charge for approval.

Significant observations

- The board approved and presented the budget to Ministry of Local Government for approval on 11.04.2023, contrary to the council's articles of association, article (29.2): 'the council shall set the annual budget of the coming year during the last third of the running fiscal year'.
- The council did not present the 2023 financial report during February 2024 to the general assembly and Ministry of Local Government for approval, contrary to provisions of articles of association of 2018, article (35).
- Tasks of the financial department are not separate. The accountant does tasks of the treasurer (recording and carryovers in accounting software, processing vouchers for cashing, handing cheques or cash to recipients, setting and carrying over the receipt vouchers), due to absence of the latter.
- Monthly bank reconciliations are not made for all bank accounts as per principles.
- Some expenditures are paid for without source deduction certificate.
- Some payments were made without presenting tax vouchers by suppliers.
- Vouchers of suppliers with value exceeding 10,000 NIS are not stamped by value added tax department.
- Income tax was not deducted from staff salaries and supplied to income tax department during 2023.
- Offices of the council were leased at 28,000 NIS a year (includes rent, service and maintenance). The owner was not asked to present no-debt certificate from properties tax department.
- The council did not update financial and management regulations applicable since establishment.
- The board/general assembly held 9 meetings during 2023, contrary to articles of association of 2018.
- The board or general assembly do not have internal control unit or committee for audits.
- The financial department does not have documented procedure manual, which includes all positions and explains all basic operations of the department.
- Office hours of management staff are recorded in manual books, as there is not a clock.

- The council does not have a warehouse. Material is received when needed without receipt committee or official receipt minutes, but directly sent to locations.

Significant recommendations

- The budget should be approved by the general assembly and the board, and should be presented to Ministry of Local Government for approval within deadlines stated in regulations.
- The council should present periodic financial reports on the expired fiscal year to the general assembly and Ministry of Local Government, within two months from the start of the new fiscal year, so these reports would be official.
- Tasks of the financial department should be separated, by appointing a treasurer to keep cash, perform bank deposits and receive cash and cheques.
- Bank reconciliation of all accounts should be duly made each month.
- Amounts for services or supplies to the council that exceed 3,000 NIS should only be paid after presenting sources deduction certificates by suppliers.
- Cash amounts for works or supplies to the council should only be paid after presenting tax vouchers.
- The council should require suppliers to stamp tax vouchers of values exceeding 10,000 NIS from VAT department before payment.
- The council should deduct the due income tax from staff salaries, and should deposit them to tax department on monthly basis.
- Owners should be requested to present no-debt certificates before paying any amounts in rents.
- Financial and management regulations applicable in the council should be updated. Alternatively, regulations from council of ministers applied in joint service councils should be applied.
- The board should hold periodic meetings (at least one each month) so it can perform duties as stated in articles of association.
- There should be procedure manual to regulate office hours of staff.
- Electronic clock to regulate office hours should be used.
- The council should have a warehouse to keep all material bought and delivered, by means of receipt committee and minutes. Material should be admitted as per receipts, and should be discharged as per vouchers. All items should be arranged, and item cards should be used.

Response of entity

Response to observations in the report was received on 19.08.2024. Most of recommendations will be taken into consideration.

6. Delay fines: calculation & clearance with contractors, 2018-2023

Delay fines are calculated based on the public procurement regulations. These fines are the mounts deducted from dues of contractors because of delayed project implementing without convincing justifications. Regulations 7/2021, article (30) on the public procurement regulations 5/2014 with amendments is the legal basis used to calculate delay fines, whereas the unified contracting agreement with amendments, article (14.8) is the legal basis used to calculate the damage caused by delayed payments to contractors. Correspondence of the cabinet secretariat general to Ministry of Public Works in 2021 is the basis followed for the damages (delayed completion by contractor, delayed payments from the purchasing party).

The Bureau audited the delay fines with calculation method and financial clearance with contractors. The audit report includes the fines, damage, legal framework and regulatory framework.

Significant observations

- Council of ministers decision 5/2014 on the public procurement regulations 7/2021 with amendments does not specify the entity that will decide whether the delayed project delivery is justified or not by the purchasing party, whether by a committee or the management unit in charge in the purchasing entity.
- There are not any decisions or approved instructions that regulate the damages. Ministry of Public Works & Housing, in coordination with stakeholders, did not present recommendations to council of ministers regarding the clearance of damage procedures, and financing damage caused by delayed payments to contractors and suppliers. Standards, basis and protocols that regulate the clearance (committee) are not specified. Items that will be cleared between the contractor or supplier and the purchasing entity are not determined, and the due tax is not included.
- There are not specific and approved standards to form committees to look into the justifications of delayed project delivery, and fines imposed against contractors who do not comply with delivery dates as per general and special terms of contracts. It was found there have been cases where committee were formed, and others where only the opinion of project engineer and the engineering/supervision manager is asked, regarding justifications of delayed projects.
- There are not written approved standards for the protocols followed to determine the fines against contractors after petitions are filed, as they are different from one committee to another.
- There was great delay in making the due payments to contractors. The period from the date of contractor signing the clearance to paying the last payment might sometimes reach two years.
- There is delay in implementing a great number of projects as per duration set in contract (agreement). The delay might sometimes reach more than one year.
- The period granted to contractor by the Ministry to maintain and modify after being notified of the project completion within the implementing period is not taken into consideration, as they might be as long as months.
- There are donors-financed projects that have not been finished, but still in progress for years. It was found there are 3 projects that have not been started as at 31.12.2023, which means 0% progress as per list of the Ministry.
- There is not monitoring over works of fining committee formed by the internal control unit in the Ministry, but still takes part in committee in the observer capacity.

Significant recommendations

- There should be clear decisions and instructions to regulate the clearance between contractors and the Ministry, and determine the items that could be cleared.
- There should be clear protocols to determine the entity that decides the delay time, by means of committees formed for all bids that involve delay.
- All bids that involve delay should be referred to special committees to decide upon. Protocols of committees' formation should be set, and the committees should operate as per clear approved standards.
- There should be clear and approved standards for the protocols and standards followed when considering petition requests the contractors file.
- Payments to contractors should be made on time as per available potentials.
- Projects with good planning should be followed up on regular basis until projects are delivered in designated times.

- The period that follows the initial delivery should be considered as delay if the contractors exceeded the term set for maintenance and modifications.
- Committees should be formed for all projects that involve delay, and all contractors should be handled objectively.
- The internal control unit should be present in committees formed to decide upon projects delay, and also in the petition requests committee in the observer capacity.

Response of entity

The response to observations of the reports has been received, and most of recommendations will be taken into consideration.

7. Palestinian Fund for Employment

The Palestinian Fund for Employment was established in order to support the economic development, by incentivizing the labor market policies to have permanent employment opportunities and develop the social capital, effectively leading to poverty and unemployment fighting on strategic basis.

The Bureau audited the action of Fund in 2021, which included financial statements, management affairs and evaluation of some departments and units.

Best practices

The Fund is performing a number of significant programs and projects with various financing portfolios. It intends to provide sustainable employment opportunities, fight poverty and unemployment on basis of small projects.

Significant observations

- The Fund released the financial statements for 2021 after the legal term (original deadline March 2022). They were released and approved May 22nd, 2023.
- Balances in the financial statements are not accurate, besides differences between the closing balances for 2020 and the opening balances for 2021.
- There is procedure manual for duties and works that departments of the Fund must perform, which state the protocols to be followed and technical powers that clearly cover all operating and financial accounting action.
- Board of the Fund does not hold meetings as per principles (one meeting every two months). Only two meetings were held in 2020, and only three meetings in 2021.
- Members of the Board do not sign and approve the meeting minutes. Only four out of 12 members were present at the October 7 meeting.
- The payment of rewards to members for some meetings was not accurate. Payments were made to 8 members for the board meeting held in October 2021, but approved by only 4 members.
- There is not clear accounting policy that states rates of assets depreciation.
- The Fund did not have quotes from banks in order to deposit.
- The Fund did not make the adequate and necessary studies that show how the lending institutions are selected, and value of amount they are granted to carry out the Italian project.
- The lending institutions did not comply with the rates set in sector agreements. They were given loans contrary to agreements signed with the Fund and the Italians (donor), which do not match the memorandum of understanding and financial agreement of the program.
- No supporting documents for some payment procedures, control and compliance with standards and conditions that should be present to validate the process followed.
- The Fund does not have a strategic management plan of risk against its interest and sustainability.

Significant recommendations

- The Fund should release the financial statements within deadline stated in law and regulations, and should be released no later than March of the next year.
- Board of the Fund should hold periodic meetings in regulated fashion as per law, in order to ensure the Board would be doing tasks as stated in the presidential decree and Fund's articles of association.
- Rewards should be paid to only the members who attended the meetings, and their signatures to minutes should be duly approved.
- Management of the Fund should invite to bids for interest of bank deposits (auction) for depositing, and justifications for keeping the deposits in the Arab Bank accounts should be stated.
- All projects should be monitored and supervised, and the agreements with project donors to the Fund should be complied with, in order to ensure that all beneficiary groups are benefiting and that the project goals are achieved.
- There should be compliance with the agreements made with donors and lending institutions. There should be effective supervision over the implementing of these agreements, in order to fulfill general goals of projects.
- All supporting documents that validate payments and compliance with standards should be present, and should be enclosed with paper applications before presenting for approval.
- Strategic plan of the Fund should be made, which manages risk against interest and sustainability.

Response of entity

A response to observations of the report was received January 30th, 2024. Most of the recommendations will be taken into consideration.

8. Jaba'a Electricity Company Ltd (J.E.C)

Jaba'a Electricity Company was founded 1978, and re-registered in the register of public limited joint stock companies at Ministry of National Economy, in compliance with the general electricity law, under number 562600262. Shareholders of the Company were 580 as at 11.05.2023.

The Bureau audited the action of Company, where the audit included the 2022 financial statements and the compliance with laws and regulations.

Best practices

- The electricity prepayment system 'WEBB' is used, which prevents power interruption in case the balance expired in night hours.
- The Company has set up prepayment points that cover all town neighborhoods for easy access by the public, besides the point at its main offices.

Significant observations

- The Company is not licensed by the Energy Authority to distribute electricity to consumers. The Company was registered 1980 in Ministry of National Economy as public joint stock company under number 562600262.
- The authorized signatories did not issue signed and sealed shareholding certificates with serial numbers, which state the value of each share in the capital.

- Works and meetings of the board are not documented in official minutes, where members who are present, number of shares represented in the meeting and decisions the general assembly takes are stated.
- There are not committees formed by the board members to monitor action of the Company, especially the sales, procurements and audit.
- Debts of subscribers increased in 2022 at 12% over 2021 (reached 1,231,870 NIS). Total accounts payable increased in 2022 at 87% over 2021, where the debts balance for the national electricity company increased during 2022 at 91% over 2021.
- There are differences between value of accounts payable to the national company between Ministry of Finance statements released by 'Bisan' accounting system and financial statements of the Company.
- The Company distributed profits to shareholders and paid rewards to board members and staff, despite the increased debts on the Company to the national company and Ministry of Finance.
- Value of new subscriptions was not collected as per law provisions.
- Revenues of new subscriptions were not grouped as deposits. Amounts collected from new subscribers are attached to refundable deposits (subscription fees), so these amounts are not considered revenues the Company generated.
- The supporting documents for spending and receiving for a number of payments are not sufficient (e.g.: leasing the crane to citizens, street lighting subscription applications, tax vouchers).
- Rewards are paid to board members for attending the board meetings, contrary to articles of association, article (46). It was also found that the Company paid rewards to all staff without standards to determine value, and without the board approval to this reward.
- The Company does not have clear and approved organizational structure and job description, which help regulate action and state the responsibilities and tasks of different organizational levels, as well as leading and supervisory positions.
- The Company does not have clear and approved action guides for duties it should perform, and protocols to be followed in technical work.
- The Company does not make long-term strategic plan for future action and development. Furthermore, there are not executive plans to monitor the action, and no indicators that measure goals achieving, deviations and solutions to problems that appear upon implementing goals of the Company.
- Poor control over warehouses of the Company. Admission and discharge vouchers are not used, and item cards. There is not annual inventory of warehouse content, which does not have insurance policy against fires and thefts.
- No separation of powers regarding the making, entering and reviewing of vouchers in the system.

Significant recommendations

- The Company should remedy the status with Energy Authority regarding the licensing to distribute electricity to consumers.
- The authorized signatories should issue signed and sealed shareholding certificates with serial numbers, which should state the value of each share in the capital.
- Works and meetings of the board should be documented in official minutes, where members who are present, number of shares represented in the meeting and decisions the board takes should be stated.

- The Company should form committees of the board members to monitor action, especially the sales, procurements and audit.
- The differences between value of accounts payable to the national company between Ministry of Finance statements released by 'Bisan' accounting system and financial statements of the Company should be explained. The Company should pay debts to the national company on regular basis.
- Value of new subscriptions, prices of meters and fees of connection to the network should be collected, as per council of ministers decision 15/2018 on the electricity connection fees regulations.
- The accounting classification of the new subscription fee revenues should be set as revenues, not deposits.
- Articles of association, article (46) regarding the rewards payment to board members should be complied with. Staff rewards should be paid by clear and written standards approved by the board.
- All necessary supporting documents for spending and receiving should be present and enclosed. Payments should only be made when all necessary supporting documents are present.
- An organizational structure and job description should be approved, which should help regulate action and state the responsibilities and tasks of different organizational levels, besides leading and supervisory positions. A clear job and approved description of vital positions in the Company should be set.
- Clear and approved action guides for duties the Company performs should be set, which should state the protocols to be followed in technical work.
- Long-term strategic plan for future action and development should be made. Furthermore, executive plans to monitor the action should be set, and indicators that measure goals achieving, deviations and solutions to problems that appear upon implementing goals of the Company should be in place.
- There should be adequate controls over the warehouses (admission/discharge vouchers, item cards, annual inventory, insurance policy).
- Powers regarding vouchers making, entering and reviewing in the system should be separated.

Response of entity

A response to observations of the report was presented. Most of the recommendations will be taken into consideration.

9. North Electricity Distribution Co. Ltd (NEDCO)

The North Electricity Distribution Co. Ltd (NEDCO) has been founded January 14th, 2008 in Nablus as public limited joint stock company, by virtue of corporate law 12/1964. NEDCO is owned by municipalities in North West Bank, and was registered in the public limited joint stock companies register at the companies controller under number '562601203', in compliance with the general electricity law. Electricity should be provided by licensed entities to ensure the sector performance is as per the international standards and specifications, in order to improve the electricity conditions in the West Bank north districts. The Company started actual action in 2010, and obtained the electricity distribution license since 2011.

Best practices

- The Company launched the 'NEDCO' application in order make prepayment and the remaining balance monitoring easier. The application also follows up forms the public file and documents

necessary to finish transactions. The application will soon have in place the notifications and technical failures functions.
- The Company uses automated bills payment via banks and electronic portfolios.
- The Company increased the number of electricity charging points in its concession area for better service to the public, which are now almost 300.

Significant observations

- The assets balance is not fairly expressed in the financial statements of the Company, the 'assets, equipment and networks' item. Power networks were reevaluated, and had their fair value and each share defined and approved in the shareholders log. However, the necessary entries to reflect these evaluations in the financial statements for 2022 were not made.
- The accounts payable balance disclosed in the financial statements of Tubas District Electricity Company Ltd (TDECO) stated in NEDCO records does not match the balance in TDECO approval.
- Rewards were paid to board members for attending meetings, contrary to internal regulations. Rewards were paid to board members of local entities' representatives, contrary to council of ministers decision 3/2017 on regulations of local entities mayors and members, article (9.b).
- Rewards were paid to board members who represent government entities, contrary to rewards regulations to public servants members to boards of public and private institutions 3/2021, article (7).
- The board chair has been using a Company vehicle during 2022 without legal basis.
- Expenditures of the board chair's mobile phone were paid without legal basis.
- The Company and the income tax department did not have tax settlement and clearance for work findings since 2014 as at 2022.
- Net accounts receivable increased in 2022 by 12% over 2021, due to the increased debts of some subscribers and government institutions.
- There are not policies and protocols to help regulate and control the instalment of amounts due on subscribers with cheques during 2022.
- Dues of Ministry of Finance represent 89% of total other due debts on the Company (494,868,769 NIS) during 2022, a 17% increase during 2022 over 2021.
- Risk premium for financial human resources has been included and paid to most of staff without connecting with nature of work, which cost the Company additional amounts each month.
- The Company paid amounts due to some contributing municipalities without deducting them from balances due on these municipalities, which increased their debts balance.
- The Company decided to have optional service termination for a number of staff members by means of exit deals, contrary to the approved human resources management policy.
- New employees have been appointed contrary to policy the Company follows upon hiring new staff, and without evidence for the need for these appointments.

Significant recommendations

- The Company should reflect the modifications made to assets after reevaluating and determining and approving each share in the shareholder' register in the financial statements for 2022.
- The Company should grant rewards as per its articles of association, with compliance with council of ministers decision 3/2017 on regulations of local entities mayors and members, and council of ministers decision (7) on rewards regulations to public servants members at boards of public and private institutions 3/2021.

- The Company should only pay incentives to the board chair as per the law and articles of association.
- The Company and the income tax department should have tax settlement and clearance for work findings from 2014 – 2022.
- The accounts payable balance of 2022 should be processed by collecting the due debts on subscribers and government institutions.
- Clear policies, protocols, conditions and regulations should be approved to regulate the instalment of bills, and to regulate the cheques receipt and collection, which should ensure no bounced cheques and increase liquidity. Bounced cheques should be referred to courts.
- A reconciliation for Tubas District Electricity Company Ltd (TDECO) balance in 2022 should be made.
- The risk premium should be separate from the financial human resources, and should be paid to eligible staff and connected to work nature.
- The Company should only pay amounts to municipalities after deducting them from due balances on these municipalities.
- The Company should terminate staff service as per the approved human resources management policy.
- The Company should comply with the approved human resources management policy upon new appointments, and as per actual need.

Response of entity

A response to observations of the report was presented. Most of the recommendations will be taken into consideration.

10. Government vehicles use in ministries, 2023-2024

The Bureau audited the use of government vehicles in a number of civil ministries and public institutions. The sample included Ministry of Transport, Ministry of Education, Ministry of Finance, Ministry of Agriculture, Ministry of Health, Ministry of Endowments & Religious Affairs, Ministry of Labor and Supreme Judicial Council.

Significant observations

1. Council of ministers decision (01/04/19/C.M) on financial reforms and expenditures downsizing in government entities has not been complied with, despite it supports the council of ministers decision 10/2017 on regulations for government vehicles in the civil sector.

2. Misuse of government vehicles:

- Vehicles are used by staff at ministries and public institutions, although the regulations for government vehicles in the civil sector is not allowing them to do so.
- Some vehicles are not parked at offices of ministries and public entities, or in the designated places.
- It was noticed that some employees use vehicles after official hours.
- There are not records for daily movement of vehicles in some ministries and government entities, which does not help tracking down the movement.

3. Poor control of vehicles' use:

- Ministry of Transport, government transport department was not performing tasks stated in regulations, in order to control the use of government vehicles, as it was not authorized the access to electronic tracking system for movement of vehicles.

- Some internal control units in ministries and government entities do not make reports on the use of government vehicles.
- Some ministries did not comply with recommendations of internal control reports on the government vehicles.

4. Financial & management violations;

- Government vehicles are used by staff of some ministries and government entities, who at the same time are paid fixed transport allowance as part of salary.
- Government vehicles were delivered to judges, contrary to provisions of the judicial authority law of 2002, article (32).
- The running cost of vehicles (gas, maintenance, insurance) exceed the fixed transport allowance paid to staff who were handed vehicles. This means additional cost paid by the Treasury due to government vehicles handed to staff who do not fall under the groups stated in regulations.

5. Violations to council of ministers decision 10/2017 on regulations for government vehicles in civil sector:

- Some ministries and government entities do not use movement lists, despite there are gas lists for the same period, which indicates uses in other purposes and insufficient control thereto.
- The Bureau was not provided with all data and information taken from tracking units installed on government vehicles of some ministries, which does not provide reasonable assurance about data completion.
- Tracker devices were not installed in government vehicles of some ministries, contrary to council of ministers decision 10/2017 on regulations of government vehicles in the civil sector, article (10). It states that all government vehicles shall be followed up and shall have their control and inspection intensified. This is also contrary to circular from the cabinet secretariat general out 21.06.2020, which states that 'electronic circuits and tracker devices should be installed in government vehicles, to ensure they are used for designated purposes and to reduce cost', which might affect monitoring from control entities over their use.
- Movement lists of some vehicles in some ministries are not accurate. It was found the distance covered and recorded in movement lists do not match readings of tracker devices, which does not provide reasonable assurance about authenticity of these lists.
- Some vehicles are kept outside respective government entities, contrary to council of ministers decision 10/2017 on regulations for civil sector government vehicles, article (9), which states that vehicles shall be parked after office hours in designated yards and spaces at government entities.
- Some government (movement) vehicles were issued civil number plates instead of the red ones, contrary to council of ministers decision 10/2017, article (5.2).
- Several movement vehicles are used by offices of some ministers, contrary to council of ministers decision 10/2017, article (9).

6. Poor coordination among government entities:

- Custody records of vehicles of some ministries do not match the records of government transport department, Ministry of Transport, where the latter is responsible for monitoring the vehicles in ministries.

As a result, and despite the clear regulations and decisions to regulate the use of government vehicles in civil sector, the compliance of some ministries and public entities is considerably poor, which led to continued violations and the failure to fulfill the goals of these regulations.

Significant recommendations

- The cabinet secretariat general should notify all government entities to fully comply with decisions that regulate the government vehicles' use in civil sector, and necessary measures to take away the violating vehicles should be enforced.
- Ministry of Transport, government transport department should have effective control over the government entities to ensure full compliance with rules and regulations that govern the use of vehicles.
- Internal control units in ministries should monitor the enforcement of council of ministers decisions and instructions regarding the running cost cut-down of vehicles, and should have periodic reports on level of compliance with these instructions.
- Council of ministers units in ministries should follow up the enforcement of the cabinet decisions and instructions regarding the running cost cut-down of vehicles, and should have periodic reports on level of compliance with these instructions.
- Recommendations of the Bureau should be forwarded to all government entities, and the latter should be required to take necessary action to ensure full enforcement.

Response of entity

All of the entities the Bureau forwarded its report to have responded to observations in the report, and most recommendations will be taken into consideration.

11. Vocational training management, Ministry of Labor

The Bureau audited the vocational training management at Ministry of Labor. The audit included planning, implementing and output of the Ministry to provide trained human resources in professions needed in the Palestinian labor market.

Best practices

- The vocational training department has organizational structure and job description, which include tasks and responsibilities of sub-departments and divisions.
- There is a working plan for vocational training, associated with the Ministry of Labor cross-sector strategic plan. The plan includes a set of targets the department intends to fulfill.
- The training programs list for the training year 2023-2024 has been updated and circulated to vocational training centers.

Significant observations

1. The number of graduates of the private vocational training centers is more than the Ministry's centers. Graduates from the private centers reached 4956, whereas they were 1814 from centers of the Ministry during the training year 2022-2023.
2. The largest number of graduates from private centers was recorded in Ramallah, the only city in northern districts that does not have a vocational training center of the Ministry. Ramallah district has one vocational training center in Beit Ur village, which had 44 graduates in the training year 2022-2023, the least number among the Ministry's centers.
3. Not all targets of the strategic plan 2022-2023 have been achieved.
4. Despite the presidential decree 4/2021 on the national agency for vocational and technical education and training is out, it has not been enforced as at the date of this report. This has led to overlapping powers and tasks between the vocational training department of the Ministry and the agency above.

5. 30 NIS fees are collected for accrediting the certificates of private centers, having replacements of lost government certificates or having certificates in other languages, contrary to provisions of amended basic law of 2003, article (88).
6. There are shortcomings in the monitoring of private vocational training center:
- Licensing procedures guides for the private center are not approved.
- Monitoring and supervision of the private vocational training center are not adequate.
- No compliance with licensing conditions of private centers.
- No surveys to identify the directions of private sector on how to strengthen the vocational and technical training programs during 2021-2023.
- No unified training plans for the private centers, as in the government ones.
- The Ministry did not participate in the practical evaluation of the private center trainees, which represents 70% of the trainee's score, but only supervisors check the lists of attendants in exams and the participants in training programs.
- There are many centers that had their license expired, but still appear in the centers' list on the Ministry's website.
7. It was found there are 3 projects in the general budget to establish vocational training centers, which have not been finished or started, as below:
- Tubas vocational training center project has not been finished because payments to contractor were not made. It has been agreed to terminate the contract cordially and compensate the contractor at 400,000 NIS.
- Tulkarm vocational training center project has not been implemented as no contractor applied. The committee decided to cancel all procurement procedures, taking into account the amounts were allocated in the general budget to establish vocational training center, but carried over from year to year without spending.
- El-Bireh vocational training center project has not been implemented due to failure to start within the agreement term as per memorandum of understanding between el-Bireh Municipality and Ministry of Labor. The agreement states that works shall start within one year from signature, and shall only be renewed with the first party consent (el-Bireh Municipality).
8. Maintenance works were halted at some vocational training centers, as below:
- Maintenance of Jenin vocational training center stopped as financial payments to contractor were not made.
- Maintenance of Yatta vocational training center stopped as financial payments to contractor were not made.
9. Many tasks of the buildings department were not fully undertaken, as below:
- Monitoring of vocational training information system development with entities in charge.
- It was found that tasks are only about building projects, not all of the projects.
10. Monitoring and supervision of the Ministry's vocational training centers is not adequate and effective, as below:
- Poor monitoring and supervision of the vocational apprenticeship programs jointly carried out between the vocational training centers and labor market institutions, and to the entrepreneurship program 'Know the business world' undertaken at vocational training centers.
- Poor monitoring and supervision of requirements and tests for the applicants' professional level, in cooperation with the vocational training centers.
- Lack of clear standards and protocols to follow up the vocational training quality, and to evaluate and develop training programs and tests.

11. The supervising visits to the vocational training centers are not adequate, besides the lack of clear plan to supervise them.
12. Shortage of some raw material during the training year 2022-2023, such as air-conditioning, mechanic and aluminum.
13. Shortage of trainers in some professions at 7 training centers, where total shortage reached 17 trainers in a number of programs.
14. Protocols to develop training programs and qualify staff are not adequate, as below:
- Vocational apprenticeship programs were not developed, and were not supervised in the training year 2022-2023.
- Labor market need studies were not conducted for all vocational training programs, but only for agriculture and foods sector.
- The training and human resources development department did not participate in the setting the vocational tests. It was found that 6 vocational level tests were conducted in 2023, and that the department above did not participate in all tests.
- The vocational classification and description guides were not developed for all vocational sectors. A number of vocational classification standards were developed for beauty, electricity, tailor and automobile mechanic professions in cooperation with a number of ministries, such as Ministry of Education, but have not been approved.
- No clear and specific standards to give the professional beauty diplomas, where 800 training hours instead of 770 were approved.
- Plan of the department includes 35 male and female trainers to have their efficiency raised with training courses in line with labor market needs. However, only 5 trainers had their efficiency developed during 2023.
- There is not data bank for the vocational training theoretical test questions, but approval is in progress.
15. Students at schools are not sufficiently advised towards the vocational and technical training. There were limited number of mutual visits between schools and vocational centers, despite that 105 mentors had visits to government schools, and that 14 schools made visits to vocational training centers.
16. Some vocational training centers lack vocational guides, such as the centers of Yatta, Qalqilya, Beit Ur and Salfit, despite importance of the role they have.
17. There is not approved guide in the field of vocational and technical education and training, in order to include women and people with disabilities in the vocational and technical education and training.
18. The approved work environment does not have learning regulations guide, although it was being developed as part of the department plan of 2023 in cooperation with the supervision and projects department, to be updated and applied by 2023 end. However, it has not been approved and put in place.

Significant recommendations

- The Ministry should have more awareness raising campaigns about vocational and technical education and training, in order to have more students to join. The capacity of centers should be increased to include more trainees as per available potentials.
- A vocational center should be established in Ramallah and el-Bireh, as they are the only cities in the northern districts that do not have vocational centers of the Ministry.
- All targets of the strategic plan should be achieved, and plans should be regularly evaluated to reveal and remedy any deviations in due course.

- The national agency for vocational and technical education and training should be in place as per the decree law 4/2021, and should be published in the official gazette in order enable tasks (policy drawing, planning, supervising and following up the vocational and technical education and training).
- Fees should be collected by entities in charge, and the collection should be as per principles in legislations. The collection should be controlled by entities in charge.
- The private vocational training centers should be followed up on regular basis, and should be supervised by clear and approved protocols to ensure they meet the purposes of establishment.
- The vocational training center projects in Tubas, Tulkarm and Ramallah should be finished, as they have allocations in the general budget. Maintenance of the vocational training center projects in Jenin and Yatta should be finished.
- The vocational training information system should be developed in cooperation with entities in charge. An automated system for documented should be developed, and a database for the vocational training department should be developed.
- The vocational training centers of the Ministry should be regularly monitored and supervised. The logistic support necessary to have training programs should be provided, in order to ensure the quality of training programs, and raise the efficiency and skills of trainers.
- A study should be conducted to evaluate the labor market needs of all vocational training programs. Modern training programs that respond to existing needs should be added.
- There should be clear and specific standards to grant diplomas in all professions. Hours needed for each training program should be determined to ensure that trainees are receiving all necessary skills of the programs they join.
- Studies should be conducted on regular basis to follow up the graduates in the labor market, in order to know how far they are implementing the skills they received training for, and how far the labor market is benefiting from, so they could act as reference to develop the training programs that suit the labor market.
- Students in schools should receive more guidance on vocational and technical training, by the awareness raising campaigns, mutual visits and information campaigns that highlight the importance of vocational and technical education.

Response of entity

A response to observations of the report was presented. Most of the recommendations will be taken into consideration.

12. Tubas District Electricity Company Ltd (TDECO), financial statements

Tubas District Electricity Company Ltd (TDECO) was founded March 30th, 2006 by virtue of the corporate law 12/1964 as public limited company. The Bureau audited the action of Company for the fiscal year ended 31.12.2023, where the audit included the financial statements, technical reports and meetings of the board from the obtained information and data.

Best practices

- The Company is using the bills automated payment via ‘PayPal’ application, which started 2024.
- The Company, in cooperation with Monetary Authority, is now applying the ‘E-sada’ payment service, so prepayment through bank and account and bill payment could be made.

Significant observations

- The Company does not have approved regulations to be used in the financial transactions, which regulate receipt, spending, procurement and delivery (financial regulations, procurement regulations).
- There are not approved procedure manuals or job description to be used in the Company's operations.
- The limit for rewards paid to board members is not complied with. Rewards are paid to board members for attending meetings, contrary to articles of association, article (29).
- The Company does not have internal control unit or committee to audit its action, and present periodic reports.
- The Company does not make estimated budget for the projected revenues and expenditures during the year, where procurement needs are defined as per the procurement plan based on needs study.
- The Czech solar power plants were not evaluated by a specialized independent committee. The Company evaluated them with a technical committee of its staff, but the audit team was not provided with details of the evaluation made by the technical committee.
- The accounts receivable are increasing greatly and continuously. They reached 90,464,108 NIS as at 31.12.2023, which represent debts on local entities, the American University, commercial debts, meter debts, mechanical meters and other debt balances, which indicates insufficient collection the Company is doing.
- There is not clear approved policy to regulate installments by cheques (value, term of payment). The policy the Company follows upon dealing with bounced cheques is ineffective.
- Balances of the Company at Bank of Palestine are different, where the balance 'cheques to be collected/NIS' appeared at 2,203,251 NIS as per bank documents, where the account balance as per trial balance is 2,243,351 NIS.
- The Company does not have official policy and does not follow the sound accounting protocols regarding the surplus or shortage of cashbox, or the counterfeit currency. It was found that the Company attached the deficit of collection box and counterfeit currency to other expenditures.
- The Company terminated the service of an employee (termination deal) in 2023, where he was paid 121,000 NIS, more than the amount entitled by law.
- It was found that the Company makes the doubtful debts allocation for only the commercial debts. Percentage of this allocation to total commercial debts reached 9%, while the Company does not make allocations for other debts (local entities, American University, mechanical meter debts, other debt balances), where percentage of this allocation to other debts is only 1.4%.
- The Company cancelled debt of a company at 118,264 NIS based on a board decision taken 03.09.2023, by approving the report of technical managers (former, present). The amount was not attached to the doubtful debts expenditures allocation, without clearly justifying the reason of cancellation.
- The Company and income tax department did not have tax settlement and clearance for operations of the first from 2017-2023, taking into consideration the Company makes an entry of annual income tax allocations.
- Advances were paid to shareholders (local entities) from 2022 profits; despite there are balances due to the Company on these entities. Advances were paid from 2023 profits before year-end, and before action findings of 2023 (revenues, losses) are out.

- The accounts payable balance (energy price, Ministry of Finance debts, commercial debts, other debt balances) reached 116,632,792 NIS as at 31.12.2023, with 13,759,987 NIS increase (12%) over 2022. Ministry of Finance debts represent 85% of total debts.
- Value of deferred cheques increased greatly in 2023 (269% over 2022). The balance reached 978,439 NIS as at 31.12.2023.
- The Company paid 15,000 NIS as travelling and transport expenditures without attaching documents that support these expenditures.
- The Company paid amounts under 'community services' without standards and basis that regulate this payment.
- The limit of petty advance has not been set. The financial manager closed the advance at different undisclosed amounts, and the Company chair paid for some travel missions from petty advance allocation, besides some damage for technical incidents and some fuel bills (direct payment).
- The Company paid subscribers for the damage caused by teams while doing their technical work in the field, without clear standards.
- The Company does not follow the salary scale. It was found that some staff members were paid bonuses on exceptional basis, based on a board decision contrary to the salary scale. It was also found that the Company calculated the overtime work of some employees, contrary to the Palestinian labor law.
- The Company did not deduct the income tax of amounts paid as rewards from salaries and wages item to all staff receiving rewards.
- The Company appointed an advocate at 1500 NIS payment a month, based on a board decision, without an employment contract or any supporting documents. The transport expenditures between the Company's offices and Ramallah (350 NIS) were paid to the advocate, besides JAWWAL cellphone bills from petty advances. There is not any evidence of the works the advocate has been doing for the Company.
- A legal counsel was appointed on 22.04.2017, and had the service terminated as per a deal at 36,000 NIS on 01.01.2023, although this employee does not deserve the reward.
- Some errands and travels were based on personal invitations by hosts. An invitation has been sent to candidates to take part in an errand with a letter bearing the candidate's name and passport number. It was also found that supporting documents (border exit/entry stamps, airport stamps) have not been attached with financial transaction and payment voucher.
- There are not standards regarding the number of participants in each official errand. Some require one participant, whereas 3 or 4 participants were nominated at the Company's expense without actual need for the extra number.
- Amounts are paid to some participant in travel missions, although the mission is fully paid for by hosts. Flight tickets and reservations were bought for some missions before the general manager's consent to assign the participants.
- 100 USD are paid each day to board members going to travel missions for the pause in tasks they are holding, based on the board decision No.174 on 05.04.2023.
- There is not any evidence of the relation between the course or mission subject and nominated staff. Management staff went to courses and missions that are originally meant for technical staff.
- Poor controls over the procurement bid of two Mitsubishi vehicles during 2023.
- All of the Company's transport vehicles are distributed to staff, who keep them after office hours, and parked at their homes. The Company does not have a movement department to

regulate vehicles in line with the required tasks. Transport orders are not used, there is not movement log, no odometer readings and no effective control over movement of vehicles.
- Poor control over the maintenance of vehicles. The sale of two 2010 Mitsubishis was advertised, and the maintenance of vehicle with registration No.6263 was performed on 08.01.2023, before the sale decision was taken on 16.02.2023. There are not technical reports approved by competent entities about condition of the vehicle and the actual need for maintenance.
- There are surplus or shortage differences in some items at the warehouse. Item cards are not used.
- Promotions and appointments are made in the company without competitions, and sometimes without positions in the organizational structure.

Significant recommendations

- There should be approved regulations to be followed in the financial transactions, in order to regulate spending, receipt and procurement (financial regulations, procurement regulations).
- There should be approved regulations to facilitate action in the Company.
- The maximum limit for rewards paid to board members should not be exceeded. Rewards should not be paid to board members for attending the board meetings, contrary to articles of association, and the 100 USD paid to members for interruption in their usual tasks should not be paid.
- There should be a control unit or committee to supervise and monitor action of the Company, by means of a working plan to make periodic reports.
- Estimated budgets of the Company should be made, which state the projected revenues and expenditures during the year, as well as procurement needs according to a procurement plan based on need study.
- The Company should have strategic plan that states targets to be achieved, baselines to measure implementing and measurement indicators. Annual working plans should be made for departments and units of the Company.
- Job descriptions should be set for all departments and units of the Company, which state specialties required to fill in positions.
- All lands, estates and assets of the Company should be registered in its name, not names of individuals.
- All of the Company’s assets should be valuated by special committees, and valuations should be clear, documented and duly approved.
- The Company should take effective measures to collect debts, and clearance should be made between debts and profits distributed to shareholders of the Company.
- There should be clear and approved policies to regulate installments with cheques (value, term of payment).
- Differences between balances of the Company at Bank of Palestine should be investigated.
- Sound accounting protocols should be followed regarding the surplus of shortage in cashbox or counterfeit currency.
- The Company should pay end-of-service reward to staff, not deals that cost the Company additional amounts.
- The Company should only cancel debts when inability to collect is proven. This should be documented and justified.
- Tax settlement and clearance should be made between the Company and income tax department for action of the first from 2017-2023, and tax dues should be regularly paid.

- Effective measures should be taken to pay debts of the Company (energy, Ministry of Finance, commercial, other balances).
- Amounts should not be unduly paid without legal basis, especially the board members-related expenditures.
- There should be clear standards and basis to pay the community contributions, and payments should be made by the entity in charge.
- Limits of petty cash advances should be determined, should only be paid within limits and should be under responsibility of an officer.
- There should be clear standards for the damage paid for incidents caused by technical failures, which happen in the course of daily action of staff. Technical reports that professionally explain the nature, process and cause of damage should be presented.
- Salary scale of the Company should be followed. Exceptional bonuses contrary to salary scale should not be paid, and the risk premium should be paid as per the work nature.
- Overtime hours should be regulated as per the Palestinian labor law 7/2000, and should be done only when needed.
- Travel missions should be regulated, should not be done based on personal invitations from hosts and supporting documents (border/airport stamps) should be annexed to financial transaction and payment voucher.
- There should be standards (travel mission regulations) that state the number of participants per mission according to subject, and nominations should be made by a committee that has its action documented in minutes. Amounts to participants in hosted travel missions should not be paid, and only the staff who are closely related to the subject should be nominated.
- There should be effective control over the vehicles sale, buying, use and maintenance, with clear and approved forms connected to odometer readings. Vehicles should be kept and secured at the Company premises.
- The control over warehouses should be enhanced, item cards and admission/discharge forms should be used and inventory of content should be regularly performed.
- Promotions and appointments should be made by competition, and the positions should be part of organizational structure.

Response of entity

A response to observations of the report was presented. Most of the recommendations will be taken into consideration.

13. Hebron Electricity Production Company Ltd (HEPCO), financial statements

Hebron Electricity Production Company is a private limited company registered in the companies register on 09.01.2000 under No.562447011. The declared shares reached 25 million at nominal value of one Jordan dinar per share, all owned by Hebron Municipality.

The Bureau performed financial and compliance audit of action for the fiscal year ended 31.12.2022.

Best practices

- The Company launched the ‘Hebron Electricity’ application in 2024, which provides the latest news, announcements and notifications of power interruption. It also allows filing complaints and suggestions, and provides subscribers with information about bills.

- The Company uses automated bills payment via banks or electronic portfolios to make payment easy for the public, and offers promotional discounts for automated payment.

Significant observations

- The internal control unit does not follow the board, but the general manager from management and technical perspectives through direct assignments and instructions. The unit does not use clear and risk analysis-based plan.
- Amounts are kept in cashbox in limits contrary to what the Company's financial regulations allow.
- Amounts of the petty cashbox are not determined, or determined without board decision or an article in financial regulations.
- Treasurers and collectors of the Company are not issued judicial surety bonds, contrary to local entities financial regulations, article (38).
- The company does not take effective action regarding monitoring of collectors in the field, in order to validate the amounts they collect.
- Some expenditures are paid for without presenting source deduction certificate by suppliers, and without tax vouchers, contrary to regulations applicable in the Company.
- Some supplier vouchers with value over 10,000 NIS are not stamped by VAT department, contrary to regulations applicable in the Company.
- The 10% income tax due on the thirteenth salary (118,224 NIS) is not deducted and deposited the income tax department.
- Overtime work of more than 25% of total salary is paid.
- The company deducts the overtime work of staff at 5% without depositing to income tax department.
- Actual transport cost is not deducted from salaries in order to calculate the income tax.
- The current balance of Municipality that appears in the Company's accounting books does not match the balance in accounting books of Hebron Municipality. The difference between balances is not settled.
- The Company does not present source deductions from source, which led to debit account No.155200 at 1,140,830 NIS. PalTel Co. deducts 10% in electricity bills in exchange of not presenting the Company with source deduction. The account balance has not been closed due to failure of PalTel Co. to send a notification stating that the deducted amount was deposited in income tax department.
- The Company is not paying installments of the World Bank's 2,825,000 USD loan granted 29.09.1999. Equal payments have been made at to September 2013.
- The Company did not pay the annual installments due to Ministry of Finance (1,761,242.62 USD) from September 2013 – 31.12.2022.
- The Company did not record the World Bank loan interest due since 2014 as to 2022, which reached 989,813 NIS in total.
- The Company did not present tax declarations to income tax department for the fiscal years 2014-2022, and did not settle its tax file. The Company sets an allocation in its financial records, which had its balance at 12,678,257 NIS as at 2022 end.
- Cheques are received from some payers to pay their dues, without being issued by the bank account of payer in question (endorsed), contrary to local entities financial regulations of 2019, article (44.2).
- Accounts receivable of 2022 increased at 6% over 2021, indicating poor action the Company follows to collect debts from subscribers.

- The Company took necessary legal action against subscribers who are not paying only long time after due date, which might sometimes reach ten years.
- The Company filed lawsuits against a small number of subscribers who are not paying, only claiming the value of bounced cheques, not total due debts, according to records of the Company.
- The collection department accepts payment of due debts with endorsed cheques, which undermines the Company's capacity to follow up debts in case the cheques bounced and debts have been lost.
- Term of installments for subscribers, especially the big ones (factories, merchants, quarries), does not suit the size of due and increasing amounts, which might sometimes reach more than ten years.
- Debts increased in 2022 by 7% over 2021. There are not effective protocols and measures to pay the Company its debts.
- There are outstanding accounts between the government and the Company, which have not been settled since 2016 as at the audit date. There are differences in the balance of debts due to Ministry of Finance at 2022 end, between the Company and Ministry's records at 986,067,306 NIS.
- The electricity the Municipality bought from the national company during 2022 reached 247,622,126 NIS, of which 187,749,170 NIS (76%) were paid.
- The Company did not pay electricity bills during 2022, which means losses due to delay fines.
- Electricity losses reached 19% in 2022, where total losses in 2022 reached 66,008,845 NIS due to thefts and meter tampering.
- The annual procurement plan for 2023 has not been made before the fiscal year started, and in conjunction with the annual budgeting, contrary to the public procurement regulations 5/2014, article (29.1).
- Guarantees presented by contractors are not kept in a metal safe, but in a paper file.

Significant recommendations

- Amounts in great numbers should not be kept at the Company boxes, as per regulations.
- The Company should determine the petty cashbox amount, as per regulations.
- The Company should take effective and necessary action to monitor collections in the field, in order to validate the amounts they collect.
- Staff who are assigned with financial custodies should be issued judicial surety bonds.
- Amounts over 3,000 NIS (supplies or material to the Company) should only be paid after presenting source deduction certificate by suppliers.
- Amounts from the Company's account for works or material to the Company should only be paid after presenting tax vouchers.
- The Company should request suppliers to stamp tax vouchers at VAT department before cashing.
- The income tax due on the thirteenth salary (118,224 NIS) of 2022 should be calculated and deposited.
- The Company should comply with action regulations and the salary scale for 2019, and should not pay any bonuses not stated in regulations.
- The Company's management should have regulations and standards regarding the need for overtime work, and the responsibilities of all staff members.
- The Company should deposit the income tax deducted from overtime work to the income tax department on monthly basis, and should deposit 122,906 NIS for the tax deducted 2022.

- The Company should deduct the actual transport cost from the taxable salaries, not the 10%.
- The Company and Hebron Municipality should have their balance settled.
- Protocols to regulate money transfers to the Municipality should be set, in line with interest and liquidity of the Company, and terms of articles of association.
- PalTel Co. should be requested to present lists of amounts the Company paid to Ministry of Finance.
- The outstanding accounts between Ministry of Finance and the Company should be eventually settled. A certain amount should be agreed upon and recorded in the Company's books, and should match those in books of the Ministry, in order to have clear and specific protocols to settle all outstanding items between the two parties.
- The Company should record amounts of interest due to the World Bank loan as to 2022, and should pay the annual interest and installments.
- The Company should preset tax declarations for 2014-2022 and settle tax file as soon as possible.
- The local entities financial regulations, article (44.2) should be complied with, and cheques endorsed by third parties should not be accepted. Cheques should be issued by the bank accounts of subscribers or payers themselves.
- Management and legal action should be taken to collect debts on subscribers, and that should be done at quicker pace, in order to reduce debts, increase the capacity to pay the national company bills and avoid delay fines.
- Effective measures should be taken to pay debts the Company owes. Electricity bills should be paid each month to avoid delay fines.
- The Company should pay all due electricity bills on regular basis.
- The Company should take necessary action to reduce the delayed bill payment, in order to avoid delay fines.
- The Company should take necessary action to reduce losses in networks.
- The Company should have annual procurement plans for the years to come, before the fiscal year start and in conjunction with the annual budgeting.
- Guarantees from contractors should be kept in a metal safe to avoid the loss of Company rights.
- The transfer process of amounts to the Municipality should be reevaluated, in order to ensure these transfers would not affect the Company's capacity to pay financial dues, especially electricity bills of the national company. Transfer scheduling as per paying priorities should be advised.

Response of entity

A response to observations of the report was presented. Most of the recommendations will be taken into consideration.

VI. Performance Audit Department

	Report	
1	**Effectiveness of Ministry of Health action upon medications management at government hospitals, 2022**	
2	**Effectiveness of violence reduction against women, effectiveness of care & protection to abused women** - **Ministry of Social Development & shelter houses** - **Ministry of Health** - **Ministry of Woman Affairs & high committees** - **The police**	
3	**Efficiency & effectiveness of laboratories management at government hospitals**	
4	**Effectiveness of institutional arrangements of Ministry of Health to control & regulate private hospitals**	
5	**Effectiveness of stakeholders' action to control & regulate goods prices & specifications** - **Ministry of National Economy** - **Ministry of Agriculture**	
6	**Effectiveness of stakeholders' action to reduce untreated wastewater & increase recycling & safe use** - **Water Sector Regulatory Council** - **Palestinian Water Authority** - **Ministry of Agriculture** - **Environment Quality Authority** - **Ministry of Local Government & local entities**	

1. Effectiveness of Ministry of Health action upon medications management at government hospitals

The Bureau carried out a performance audit for the effectiveness of action taken by Ministry of Health for the management of basic medications at government hospitals during 2022. The audit included the planning for medications management, availability, recording, actual need calculation and action taken upon unavailability.

Best practices

The financial affairs department and hospitals department, Ministry of Health instructed that medications should not be procured at prices different from central bidding, **which will understate the financial impact from direct medications procurement from petty cash of hospitals**.

Significant observations

The Bureau concluded that there are 'many shortcomings in action taken by Ministry of Health and government hospitals upon medications management (availability, recording)':

Planning & need estimates of medications:

- Poor measurement of indicators for availability and government spending for medications, so the data appearing in Ministry's report do not show actual conditions of availability and at government hospitals, thus affecting decision makers and donors.
- Poor decision making for medication needs of at hospitals (need estimates), without documented clear and unified basis, due to lack of forms and protocols to regulate need estimates. This has led to mismatch between actual need size and estimated need size.
- There were not need estimates for medications in 2022, where the estimated needs of 2021 have been used.

Availability of medications:

- Low availability of some basic medications, which made hospitals resort to direct procurement, thus increasing cost. Key reasons include incomplete supply from suppliers due to high indebtedness, and inaccurate need estimates.

Regulation & recording of medications:

- The balance of medications has clear deficit, especially in emergency rooms, due to differences between book balance and actual balance, failure to discharge the balances properly and lack of action at the Ministry to stop the increase of these differences, which might lead to misuse of medications due to invalid actual balances.
- Poor compliance with the recording of medications and medical supplies in patient files at Palestine Medical Complex, especially emergency room, due to insufficient number of staff responsible for recording. There are also problems regarding the authorizations of users in the electronic system, which is very slow itself. The regulation of book medications stock balance will be improved in case the medications are recorded in patient files, besides the easy and fast determining of medication needs. The actual amounts of medications will be controlled and will not be illegally misused if these protocols are followed.
- Poor monitoring in pharmacies of medications dispensing to hospital wards, recording in patient files and regulation of medication stock. This has caused shortcomings in actual medication balances, and poor monitoring of medications storage. The monitoring of medications dispensing by wards will regulate actual balances and improve medications storage, thus shortcomings will be discovered in due course.

- There are shortcomings involving the conditions of medications storage in some hospitals (improper size, bad ventilation), which affect quality of medications.

Procurement of medications from petty cash:

- The direct procurement from petty cash involve shortcomings, especially the comparison between suppliers, procurement committees and the lack of unified comparison forms to document procurement protocols, which does not provide assurance for the validity of suppliers selection and principle of competition, which means additional cost.
- The procurement from petty cash of medications in prices higher than stated in central bids increases the cost. This happens despite the instructions from the financial affairs department and hospitals departments not to buy at prices different from central bidding. The cost difference between the direct procurement and central bids was calculated for a sample of direct procurements in some hospitals, where the financial result of this sample was 286,940 NIS.

Indebtedness of the Ministry & hospitals:

- Government hospitals could not pay due amounts, which have been carried over to subsequent years due to failure to pay for all medications and supplies from petty cash. Debts of the Ministry reached 645,973,918 NIS as at 12.11.2023, a 30% increase over 2022 and 52% increase over 2021.
- A great part of petty cash is used to buy medications. The procurement of medications and medical supplies from petty cash reached 84% in Palestine Medical Complex, 81% in Darwish Nazzal Hospital and 82% in Rafidia Hospital. A high percentage of petty cash is paid to buy medications and medical supplies, which affect other operations of hospitals.
- The indebtedness payment decreased, where medications, supplies and previous debts paid from petty cash reached 52% in Darwish Nazzal Hospital, which is low when compared to Rafidia Hospital (88%). The amounts paid for medications, supplies and debts from petty cash in Palestine Medical Complex were only 10%, which is very low.

Significant recommendations

- The measurement indicators associated with medications and government spending thereto should be improved. They reflect the actual conditions of medications at Ministry of Health and government hospitals. A documented and unified basis for medications need estimates should be approved to ensure accurate estimate of actual need.
- There should be attention to provision of basic medications and downsizing of medications provided, in order to reduce or stop medications interruptions, and to reduce direct procurements from hospitals.
- The actual medications balances should be regulated with book balances. The senior management should take decisions to that end to prevent misuse of medications in light of differences in balances, and should take action to record all medical supplies and medications in electronic files of patients.
- There should be action to ensure the comparison between suppliers. There should also be procurement committees and unified forms for the comparisons, which require the hospitals to document the procedures.
- The hospitals should comply with instructions of financial affairs department and hospitals department, regarding the compliance with prices stated in central bids, and should have actual plan to stop the increased debts due to medications procurement from pretty cash.

Response of entity

The Ministry responded to the report and stated that the recommendations will be taken into consideration.

2. Effectiveness of violence reduction against women, effectiveness of care & protection to abused women

The Bureau carried out performance audit about effectiveness of action the stakeholders (Ministry of Woman Affairs, Ministry of Health, Ministry of Social Development, shelter houses) take to reduce violence against women, and provide care and protection to the abused women (2021-2022). The audit included the planning for violence fighting, awareness, admission of cases, service provision, care and protection.

Best practices

Shelter houses do not only provide women with protection against life-threatening situations, but also with physical and psychological health care, psychological discharge and talents promotion by giving women the opportunity to develop skills as far as available potentials allow. For example: Bethlehem protection center has sewing section (with supplies) for women who wish to learn, sports hall, beauty section and culinary section.

Significant observations

The Bureau concluded that 'there are many shortcomings in action that stakeholders take regarding the care and protection to abused women, and to reduce violence against women'. This conclusion was drawn through the following:

Planning to fight gender-based violence:

- The link between cross-sector planning (violence fighting strategy, justice & equality strengthening strategy) with cross-sector plans of partner government institutions (Ministry of Social Development, Ministry of Health) is poor, which led to inability to measure the anti-violence progress made at the partner institutions level.
- Poor supervision and follow-up over the implementing of cross-sector plans (violence fighting strategy, justice & equality strengthening strategy) by Ministry of Woman Affairs. The link between expected findings and what has been implemented by partner organizations is poor, besides the check of progress rate by measuring the indicators approved in these plans.
- The measurement of indicator regarding the abused women' satisfaction of service provided by formal institutions is poor (gender strategy, expected finding 5, strategic goal 1), due to lack of data as stated in the strategic gender monitoring report, 2022.

Service provided at shelter houses:

- Insufficient procedures at shelter houses, in terms of nursing staff and professional supervision to evaluate the guides, which adversely affect the service quality.
- Poor supervision from Ministry of Social Development over shelter houses, such as monitoring of specifications and equipment of shelters, and evaluation to basic service (e.g.: cleanliness, water, electricity, general safety). There is also poor monitoring of recommendations on field visits, which might lead to incompliance with technical specifications and defect basic service to abused women at some shelters.

Service provided to the abused women as per the national referral system:

- Referral system does not have approved protocols to protect staff working in violence against women. It was found there are shortcomings in the protection system regarding protection to medical, social and women staff, which does not state any protection protocols or agreements.
- The national observatory for the violence against women is evidently poor, due to incompliance of partners with data entry, besides problems associated with information confidentiality in the system due to poor monitoring by stakeholders.

- Poor action that Ministry of Social Development takes to provide service to abused women, regarding the variation of guides' distribution over district department against the number of cases and population. There is also shortage in the logistical service of the guides' fieldwork, as well as poor follow-up by guides to cases in shelter houses, which affect the quality and adequacy of service.
- Poor action that Ministry of Health takes to investigate the violence cases and evaluate the service to abused women. There is not also monitoring of some specialties and equipment, which indicates poor attention by the Ministry to violence-related matters.
- Lack of monitoring of the national team and high committee by council of ministers regarding the evaluation of the national referral system, which led to poor monitoring and supervision over the national referral system by the Ministry and high committees to ensure implementing of duties assigned to partners. The coordination between partners is also poor, which causes poor information exchange and effort integration.
- There are shortcomings in some procedures of family protection police regarding the compliance with standards to determine the gravity against abused women. There is poor communication with stakeholders regarding the registration and service provision to abused women, which might hinder the unified action between stakeholders regarding the service provision and consolidated statistics between all stakeholders.

Significant recommendations

The Bureau identified many improvement opportunities from the report findings. Accordingly, the Bureau recommends the following:

Recommendations to Ministry of Social Development & shelter houses:

- Indicators associated with violence against women, stated in national cross-sector strategies, should be adopted and reflected in the cross-sector strategy for national development, in order to enforce these strategies.
- Action of shelter houses should be monitored. These shelter houses should provide the basic service, and their action plans should be evaluated and reviewed with field visits and recommendations monitoring.

Recommendations to Ministry of Health:

- All measures that ensure achieving all expected findings stated in health cross-sector plan, associated with violence against women, should be taken. Indicators associated with violence against women, stated in the national cross-sector strategies, should be adopted.

Recommendations to Ministry of Woman Affairs & high committees:

- Satisfaction of the abused women for service provided from all stakeholders should be measured, in order to implement the indicator approved in the anti-violence strategy.
- Strategies associated with violence against women (gender equality and justice strategy, anti-violence against women strategy) should be evaluated, in order to understand scope of implementing and progress towards desired goals.
- The national referral system should be reviewed on periodic basis to check whether the stakeholders are doing their job, and to reveal the reasons behind ineffectiveness of the national observatory against violence, by requiring partners to enter women violence-related data, and have solutions to problems, especially confidentiality of data.

Recommendations to the police:

- Partners should be contacted and feedback should be presented regarding the gravity evaluation form, in order to have comprehensive and consolidated form applied by all partners.

- A communication channel for information exchange with stakeholders, especially Ministry of Social Development, should be established regarding the closed cases at the police, in order to ensure that abused women are being followed up, especially when reintegrated into society. Partners should also have unified procedures to monitor violence cases.

Response of entity

Stakeholders (Ministry of Social Development, Ministry of Health, Ministry of Women Affairs) responded to the report, and stated that recommendations will be taken into consideration.

3. Efficiency & effectiveness of laboratories management at government hospitals

Laboratories are one of the sections of great importance at government hospitals. Ministry of Health manages 14 hospitals in the northern districts, where the audit focused on matters of laboratories management at government hospitals (protocols regulating action, availability of technical staff, conditions of work environment, nature of tests). The audit also targeted the effectiveness of protocols followed to document action and process complaints the public file, in order to ensure service in due course to citizens.

Best practices

Ministry of Health depends upon the regulation and management of laboratories at government hospitals on regulations and laws that regulate the Ministry in general, and on standards of International Standards Organization. The latter indicated the total protocols for the regulation of laboratories at government hospitals.

Ministry of Health approved a set of policies to be applied for the management and regulation of laboratories at government hospitals, which act as regulatory reference for the technical staff at these laboratories.

Significant observations

The Bureau concluded that the protocols followed by Ministry of Health to provide the basic requirements that ensure the quality and sustainability of service are not sufficient. The Ministry could have used the available resources in a better way, and could have followed protocols to improve the action. The Bureau reached this general conclusion by the following set of conclusions:

- There are not effective protocols to enforce the effective regulations and policies. All laboratories do not have annual plans in order to measure progress of goals, and the approved standards and policies should be followed up to check that duties are performed duly.
- The Ministry could have redistributed the tasks and responsibilities as stated in job descriptions, and could have clarified the responsibilities of shifts system. All staff of evening duties hold the same professional rank, but office hours of division heads and higher fall only in the morning.
- There is not a unified list for the basic tests required in each hospital. This has led to approval of checklists as per what the laboratory evaluates, and based on resources available. This might adversely affect the service to citizens and make them go to private laboratories.
- The equipment could be better used in case all tests are identified per machine, so the majority of required tests are available to help increase their number, and make them available in due course.

- Provision of necessary material to operate the equipment is done in interrupted fashion. The shortage of material is not only about the equipment that had their material available from central warehouse, but also about the equipment that had necessary material for operation available from external suppliers.
- Protocols for the samples collection and transport need monitoring, in order to ensure they are done as per the approved policies and standards. The time needed to take samples from patients should be stated in the sample to avoid retaking the sample.
- Staff of laboratories are not distributed as per actual need. The training programs are not distributed to staff as per a system that brings maximum benefit.
- Quality assurance protocols over the laboratories are not sufficient and not periodic, whether at the quality coordinator level or the external quality system level.
- The environmental conditions at the laboratories are not fit. Spaces do not allow staff movement or medical supplies storage. The health environment (humidity, office supplies) needs improvement. There are no electricity outlets to ensure sustainable service. The general safety precautions are either not available or not used for designated purposes. The emergency exit is turned into a store in some hospitals, and there are exposed electricity outlets that pose risk to staff and visitors.
- Some of the stock admission and discharge protocols need better documenting. The inventory is not performed by external parties not involved in the process itself.
- Basic requirements for samples storage are not available in some laboratories. The sample fridges are either not working or not there, and the same goes for sample storage cabinets of all kinds.
- There is not periodic training for the infection prevention policy, especially for contract staff.
- The medical waste disposal protocols are not safe. Most of sample disinfection machines do not work or not available.
- The maintenance documenting of each machine is not sufficient, and does not provide information in due course.
- The laboratories department does not evaluate the compliance of equipment supplying companies with contractual terms, being the party that directly deals with equipment and the supplying company.
- The protocols for complaints processing are not clear for citizens or patients, which adversely affects action of the Ministry, due to inability to receive feedback via documented complaints.
- Backup procedures for all works done in the laboratory need development. Software of the Ministry is not fully used, and no alternative in case of breakdowns to access necessary data.

Significant recommendations

The Bureau recommends the following to the medical professions department and laboratories department at government hospitals:

1. Protocols that regulate laboratories:

- Laboratories should be required to have annual plans, which include tasks with distribution and measurable targets as part of clear indicators.
- There should be compliance with standards the Ministry of Health approves, and there should be sufficient monitoring to check that duties are carried out properly.
- There should be compliance with the organizational structure and job descriptions in laboratories, especially the quality coordinator staff.

2. Adequacy of tests in laboratories:

- Basic tests should be made available to all hospitals as per specialties of hospitals.

- Officials in charge should set the standard time for each test that fits available staff, with possibility to use software to calculate the average time necessary per each test.

3. Availability of technical staff:

- Technical staff should be distributed over hospitals to suit the actual need as per applicable principles.
- A schedule to appoint technicians should be set, which suits actual need and limited positions.
- Laboratories should be required to have supervision staff in evening and night shifts.

4. Conditions in laboratories:

- The hospitals department, in coordination with departments in question, should be required to provide suitable spaces for laboratories, and should store supplies that suit nature of available equipment and number of staff. The department should determine the space that each laboratory needs.
- The laboratories should be required to observe the regulations and policies regarding the supplies admission and discharge, in order to ensure no conflict of interest. They should also have easily accessible database, along with policies for infection prevention and safe medical waste disposal.

5. Documenting the laboratories equipment:

- An electronic system should be set to document all medical equipment-related action and data (e.g.: maintenance), and forms to that end should be set.

Response of entity

The entity did not respond.

4. Effectiveness of institutional arrangements of Ministry of Health to control & regulate private hospitals

The private health institutions in Palestine need special attention in light of the present circumstances, and the poor service provision in all hospitals and infirmaries of Ministry of Health. The Bureau carried out a performance audit about effectiveness of action that Ministry of Health follows to supervise private hospitals from (2022-2023). The Bureau took the licensing unit as the main audited entity, as well as health district departments and the service procurement department.

Best practices

Ministry of Health regulates the private hospital licenses and sets necessary protocols thereto. The Ministry relies on a number of laws and regulations. They include the health law 4/2004 (states role of the Ministry upon licensing and monitoring non-government institutions), and instructions 4/2020 that explain licensing conditions of private hospitals, including the technical specifications of the land on which hospitals are built, engineering conditions that should be present, general safety requirements, statements that should be presented with licensing applications and others.

Significant observations

- There are not agreements signed with the private sector, which in total intend to bridge the gap of private hospitals distribution over districts, which suit population of each district and surpass the total number of beds in districts, where shortage is observed.
- The private hospitals are not required to provide all specialty medical service at the level of each district. For example: children rehabilitation is only found in Bethlehem, which affects the

localization of service and downsizing of referrals, besides the difficult service provision to all citizens.
- Although the Ministry of Health engages the private sector in its strategic planning, it was not found whether the private sector has been involved in and informed about the future plans for hospitals, in terms of expansion and number of beds and wards that government hospitals are planning to introduce, in order to ensure integrated action. The private sector is not encouraged to have wards they do not have in order to fulfill needs of citizens.
- It was not found whether the licensing unit included the economic development and employment opportunities indicated in the Ministry's plan when licensing private hospitals, and in documented fashion, which reflects the economic and operational influence of licenses.
- Some protocols that regulate the licensing (and renewal) are not sufficient. The licensing unit did not set executive plan that shows protocols to be applied within certain time, and includes licensing, renewal and follow-up to private hospitals, besides other duties that fall within its powers.
- The licensing unit does not follow clear method to renew the licenses. It was found that the unit retroactively granted some hospitals licenses that agree with expiry date of the old ones, taking into account that the unit previously approved licenses upon completion of all conditions.
- The unit does not have database that shows license expiry dates of private hospitals, a table for visits to private hospitals to check the compliance with licensing conditions, with stating the monitoring responsibilities.
- Ministry of Health did not take necessary legal action against private hospitals that are not licensed. It was found there is not communication between the licensing unit and service procurement department during service interruptions for all hospitals mentioned in sample.
- The Bureau did not find an approved method at the unit to follow up the complaints against private hospitals. The unit does not have database for complaints, received by either the Ministry or district departments, regarding private hospitals.
- The Bureau noticed that Ministry of Health relieved some private hospitals from licensing fees without clear legal basis.
- Files of hospitals do not include anything about the number of parking spaces of licensed hospitals, and if the hospitals licensed previously can provide these in order to reduce traffic congestions around hospitals.
- Protocols of the unit does not include checking the presence of policies and regulations that regulate private hospitals. It was not found whether compliance of hospitals with the Ministry's disinfection policy has been checked, which was published and circulated to private hospitals.
- The post licensing monitoring and supervision of the Ministry are not adequate. The Bureau did not find whether the unit has a plan regarding visits to be carried out across certain period. Inspections are done randomly without preplanning, and only when applying for license for the first time or upon renewal.
- The unit does not follow approved method to prepare reports of field visits. It was found that reports of field visits are prepared in way that does not help monitor all hospital wards during visits.
- Samples the unit uses are not comprehensive, and not all details therein are checked. It was found that some wards to be licensed do not have inspection forms, such as nutrition, dialysis, oncology and dermatology.
- Monitoring protocols the district departments apply at private hospitals are not adequate. Variation was found between district departments in terms of compliance with duties and filling

in the system, despite the Ministry has approved and distributed an electronic system to the departments in order to provide databases about private hospitals.

Significant recommendations

Ministry of Health

- All understandings made with the private sector should be documented to ensure the compliance of all stakeholders with their responsibilities. These agreements should include partnership basis, and the distribution of private hospitals as per geographical location and specialty.
- Measurement indicators for goals associated with the private sector should be approved, in order to raise the level of goal fulfillment and identify shortcomings.
- Special standards for the private hospitals construction should be approved, which should consider specialties and geographical locations. Awareness raising programs should be published about importance of the private sector engagement in health service, as per different specialties and communities.
- An action guide should be developed, which should include the private medicine's compliance with annual planning and monthly reporting, besides approving unified forms at private medicine units in all district departments.
- The no-debt certificate should be required upon licensing or renewing the license of private hospitals, by having legal framework as part of the Ministry's regulations, or by referring to the council of ministers decision in this regard.
- The compliance of exemptions to some hospitals with applicable regulations should be checked.

Licensing unit

- A comprehensive digital archiving system should be developed, which should include all supervision protocols for the private hospitals, and should include the access to reports about each hospital in due course, and help protecting all data against destruction or loss.
- The communication with external stakeholders (civil defense, private sector) should be active, by having agreements of understanding that explain the role of each, and define responsibilities in line with regulations the government is applying.
- Mandatory protocols at the Ministry's level should be set to be approved by senior management, which ensure that the unit reviews all private hospitals-related protocols, and their responsibilities as the main entity that should contact the private hospitals in terms of licensing and action monitoring.
- All technical matters should be regulated, which must be present upon license granting or renewal, in line with requirement of the applicable regulations.
- Reasons that hinder the unit regarding technical matters monitoring should be identified, and the senior management should be aware of these reasons in order to eliminate them.
- Policies that govern the private hospitals should be included as part of the unit's tasks, whether regarding the validation, policies or monitoring of compliance thereto, so a list of significant policies would be set.
- A plan for the unit that is associated with the Ministry's goals should be set to help achieve the declared goals, and arrange field visits that include all hospitals and promote the monitoring of the unit.
- Periodic reports about findings that include field inspections of the unit should be set, whether the reports are generated from action of each committee, or from periodic compiled reports.

- Forms that include all fields of hospitals' work should be approved, which ensure effective monitoring of the private hospitals and the control of field inspection committees, so the latter would comply with all items of these forms.

Response of entity

The Ministry responded to the report, and stated that the recommendations will be taken into consideration.

5. Effectiveness of stakeholders' action to control & regulate goods prices & specifications

The Bureau carried a performance audit for the effectiveness of stakeholders' action in 2023 (Ministry of National Economy, Ministry of Agriculture) in order to regulate domestic markets, regarding the monitoring of goods' prices and the agreement with applicable specifications. The audit included the planning to regulate markets and protect consumers, policy making, controlling the goods and prices, complaints monitoring and raising the awareness about consumers' protection.

Best practices

- The Palestinian consumer protection council has been in place since 28.07.2024.
- The market regulation committee (chaired by Ministry of National Economy) and the market needs committee (chaired by Ministry of Agriculture) are in place.

Significant observations

The action taken by Ministry of National Economy and Ministry of Agriculture (with internal committees) to regulate the local market involve many shortcomings. This conclusion was reached through the following:

Planning to regulate the market

- There are not findings or indicators to measure the purpose of 'consumer protection program', which state 'goods that are 100% compliant with specifications, 100% prices declaration, market that is 98% free of settlements' products, hallmarked gold at 100% and item cards at 95%', in order to have knowledge of how far this purpose has been achieved.

Policy making to regulate the market

- Ministry of National Economy releases indicative price lists on certain occasions, such as the month of Ramadan, not on continuous basis across the year. Ministry of Agriculture did not release indicative prices of agricultural products.
- There are shortcomings in documenting and analyzing the basic goods basket as per the standards approved by Ministry of National Economy.
- The studies that Ministry of Agriculture conducts about production flows are poor. The Ministry relies on estimated data to determine the market need for agricultural products, and these studies contain limited components as comparisons of amounts produced against consumption amount, without considering the amounts that farmers produce and supply to the Israelis, besides the damaged goods and amounts supplied to factories.
- Some decisions of the market regulation committee are not enforced and monitored, which affects the market regulation in terms of goods specifications, price control and actual needs study regarding basic goods.
- There is no monitoring of duties stated in the memorandum of understanding regarding the market regulation and consumer protection (Ministry of Economy, Ministry of Agriculture,

Ministry of Health, Customs Police), which limits the ability of stakeholders to act and take properly-based decisions.

Price & goods control

- The monitoring of enforcement of notifications is poor. There is not log for notifications, and no monitoring to validate the enforcement.
- There is no confirmation about the authentication and completion of the violating goods disposal. This process is performed without minutes, and there were disposal incidents without confiscation minutes or a report from merchant.
- Although there are mandatory technical instructions and safety specifications for products and goods, we did not find whether Ministry of National Economy and Ministry of Agriculture have protocols to monitor the enforcement of these instructions and specifications.
- Minutes of the inspection rounds do not include protocols (checklists) set beforehand, which require inspection teams to observe, and determine the nature of action the inspection team takes to make the control happen. This limits the capacity of teams and does not provide assurance about action the teams take at stores, and about variety of action taken.
- Protocols that Ministry of Agriculture enforces to monitor sales places of planet and animal products are poor. The monitoring only checks the identification documents, but the safety of goods is not addressed.
- The preservation policy, followed by the high committee to determine market needs, protects domestic products and makes wider room of circulation in the local market. However, this policy might create a gap between what is actually available and what the market needs, which is greatly reflected in the high pricing of products in the market, which do not suit the purchasing power of people.
- There are not protocols to regulate agricultural products export to the Israelis. The Bureau did not find if there is action to ensure the agreement of amounts stated in permits with actual amounts that have been exported, which affects the amounts available in domestic market.
- There is not monitoring of production cost and selling prices of agricultural products. Ministry of Agriculture did not set protocols to consider production cost of agricultural products, and to suggest protocols to reduce the cost and monitor the prices.
- The high committee to determine market needs decided to ban import of a group of animal products from the Israelis to prevent disease outbreak. However, the committee did not have any action to address the resulting shortage in the market. It was not found whether there were any measures or decisions taken to have alternative supply channels in order to reduce the shortage, which is reflected on availability of these products in the market at normal prices.
- Monitoring of food commodities imported via 'quota' manifests is poor. There are not protocols to monitor these goods, no special encoding for these products and no description card to mark them out.

Consumer rights awareness

- The awareness of consumer rights is poor. There is not complete program to raise awareness of consumers by means of plans that determine topics of workshops and target groups, which serves the Ministry's aspirations regarding the education of consumers. These activities are arranged in random and unregulated fashion.

Significant recommendations

The Bureau identified many improvement opportunities through findings of the report. Accordingly, the Bureau recommends the following:

Council of ministers

We recommend the council of ministers, in line with the international practices, **to pay attention to all effort that Palestine is making, mainly the Palestinian government, to ensure the safety and quality of food, and the safety of medications, by having all stakeholders in one institutions that follows the government, and shall be named the 'Palestinian Food & Medicine Institution'**.

Ministry of National Economy

- The Palestinian consumer protection council should be active by means of periodic meetings, in order to draw policies and follow up the enforcement of the government's consumer protection programs as per vested tasks.
- Purposes of the budget program for consumer protection should be measured, by measuring the progress rates and setting performance indicators.
- Ministry of National Economy should release indicative pricing lists on continuous basis, so they include all basic goods as per specific documented policy.
- Approved standards for the basic goods basket should be set, and the protocols to determine these goods should be documented.
- Action protocols between the national economy district departments should be unified, and the activities should be carried out with unified procedures that ensure more coordination between these departments.
- Notifications should be followed up, and a method to record and monitor the notifications should be in place, in order to eliminate the violation stated.
- Disposal of violating goods should be established with minutes, and the disposal should be done as per the sequence followed (confiscation minutes, statement from merchant, list of violating goods).
- Ministry of National Economy and Ministry of Agriculture should take action to monitor the merchants' compliance with mandatory technical instructions, in a fashion that reflects the most important terms of these instructions.
- The market regulation committee should follow up the terms of memorandum of understanding with all stakeholders, so they act as basis that could be used to dispatch the tasks, and to ensure that all stakeholders are doing their job as per the memo.
- Ministry of National Economy should take action to monitor good commodities imported via 'quota' manifests.
- Awareness and education raising programs in order to protect consumers should be set, by having plans to determine the topics of workshops and target groups.

Ministry of Agriculture

- The Ministry should release indicative prices of agricultural products as per the council of ministers decision, should provide Ministry of National Economy with these prices and should circulate them to the public.
- Protocols should be approved to regulate the export to Israel and monitor the farmers, by validating the calculation of estimated amounts against transport permits, which would help accounting the amounts exported to Israel and requiring farmers to have permits.
- The high committee should determine the market needs, by having studies to determine the most vulnerable products that affect production quality and quantity. The committee should also adopt protocols to have alterative channels in emergencies to provide products, such as importing these products, and facilitating the procedures for companies that would provide these products as quickly as possible.

- The Ministry should conduct studies about the domestic market needs for agricultural products (planet, animal), by using actual and clear data in order to help making suitable decisions that guarantee continuous flow of agricultural products.
- Protocols should be approved to help validate the estimated amounts agricultural products, and have database that enables the Ministry compare the estimated products against actual ones across several periods, in order to evaluate the accuracy of estimated amounts, and reveal and analyze the gaps to figure out and address the reasons.
- Decisions of the high committee to determine the market needs should be based on studies about conditions of agricultural production, in way that helps regulating the agricultural products importing. The import companies and producers should be involved in determining the amounts that will be admitted to maintain the market balance, and ensure no interruptions of these products in the market.
- The Ministry should have a study about production cost and comparisons with the agricultural products selling prices, and should send reports about these to all stakeholders.
- The Ministry should monitor and inspect places where the agricultural products are sold, and check the safety of these products.
- Food commodities imported via 'quota' manifests should be monitored.

Response of entity

Ministry of National Economy and Ministry of Agriculture responded to the report, and stated that the recommendations will be taken into consideration.

6. Effectiveness of stakeholders' action to reduce untreated wastewater & increase recycling & safe use

The Bureau carried out a performance audit during 2023 for the effectiveness of action taken by stakeholders (Palestinian Water Authority, Water Sector Regulatory Council, Ministry of Agriculture, Environment Quality Authority, sample of local government entities) to reduce untreated wastewater, and increase recycling and safe use. The audit included the planning, policymaking, action to reduce untreated water, action to use treated water, control of treatment plants' management, complaints and raising the public awareness.

Best practices

- Stakeholders approved targets, findings and indicators associated with the national development plan (expand the wastewater management, treatment and reuse), and Sustainable Development Goal 6 (Clean Water & Sanitation) in the cross-sector plans, especially water, agriculture and environment sectors.
- There are many action protocols and policies regarding the wastewater management, such as the environment impact evaluation policies, the marginal water uses procedures and mandatory technical instructions from the Palestinian Standards Institute.
- The Water Sector Regulatory Council has set a database that includes 286 service providers, in order to collect the sanitation data from service providers.

Significant observations

The Bureau concluded that 'there are many shortcomings in the action taken by the Palestinian Water Authority, Ministry of Agriculture and local government entities upon the management of untreated wastewater. There are measures the stakeholders can follow in order to improve this process more effectively'. This conclusion was reached through the following:

Water Sector Regulatory Council

- There are communities that have less than 70% of the population connected with sanitation networks against the population connected with water networks. Standards the Council follows state the 'percentage shall be 70% and higher'.
- The amount of wastewater produced in the West Bank reached 81,425,271 m^3, whereas the amount of reclaimed water reached 11,006,404 m^3 (only 12% of wastewater amount).
- The amount of reclaimed wastewater produced by some plants dropped in 2023 compared to 2022, despite the number of population served by networks remained unchanged.
- Although the service providers filled in the respective sanitation data in the system the Council is using, the latter does not perform field rounds and inspection visits to service providers to validate the data on the ground.
- There are huge differences between data from service providers in the database, and data we have been provided for the same service providers from the Council and for the same period, which indicates invalid data the service providers are filling in the Council's database.
- The Council maintains database that includes more than 286 service providers, but it does not include all service providers. Some providers in the database do not present all required data.
- There are disagreeing statistics of reclaimed water and uses by all stakeholders (Palestinian Water Authority, Water Sector Regulatory Council, Ministry of Agriculture) during 2023.
- The Council does not have any reports on operations at service providers (treatment plants) and the compliance of staff with general safety conditions. The guiding principles of World Health Organization state that staff shall be protected against professional exposures by taking the suitable health and safety measures.

Palestinian Water Authority

- No high steering committee that combines all stakeholders to regulate, plan and set policies for wastewater treatment and uses.
- One of the indicators the Water Authority follows is the 'number of projects where the private sector is involved'. The target number in 2023 was four projects, but no project was carried out during that year. No regulations thereto were set and the no special unit to engage the private sector was instated, so there was not any progress regarding the promotion of investment environment.
- The ministerial committee assigned to set a vision about treatment plants recommended that 'the government, represented by PM office's aid management and coordination unit, should direct the assistance priorities from donors towards the wastewater treatment and reuse sector, and should focus on constructing treatment plants, especially in border districts'. However, it was found there are not agreed protocols to direct the finance in wastewater treatment and reuse sector.
- No statistics on wastewater amounts originated by Israeli settlements. They are either dumped in the Palestinian landscape, causing pollution, or regarded transboundary wastewater that have their treatment tax deducted from clearance, so the Palestinian government bears the treatment cost.
- Since 2000, the Israelis performed monthly financial deductions in exchange for wastewater treatment from tax they collect for the benefit of the Palestinian government. These deductions are for treating the wastewater that run from the Palestinian territories towards the Green Line, but there are not signed agreements between the State of Palestine and the Israelis regarding the transboundary wastewater, which include all matter especially prices, uses, border districts and other significant matters.

- Organizational Structure of the Palestinian Water Authority has geographic information systems department, whose duties include developing base map, providing maps upon request, analyzing aerial images with remote sensing, converting aerial images into base maps and automating the hardcopy maps. However, these duties are not enforced as per the approved job description.

Ministry of Agriculture

- Total percentage of water amount used in crops irrigation in 2023 reached 16% of total reclaimed water amount from plants. Besides, percentage of reclaimed water use for purposes other than crops irrigation was 1% of total reclaimed water, so the water drained into landscape represent 83% of total reclaimed water.
- Despite there are treatment plants with good quality (group A), the water produced by some of them is not used at all, such as ar-Rayhan and Rammun plants.
- There are communities with high volumes of reclaimed wastewater production and use, such as Nablus and Ramallah municipalities, but the use of reclaimed water there is not licensed.
- Article (6) of the Palestinian specifications on reclaimed wastewater for agricultural purposes states the types of crops that could be irrigated with reclaimed water, and mentions types to be irrigated with reclaimed water in the license or approval to farmers to that end. However, we did not find protocols to ensure enforcement of these specifications by Ministry of Agriculture (control over the use of water).
- No approved programs or activities is the Ministry's action plan regarding the control over the use of fertilizers in crops irrigated with reclaimed water, and as per reclaimed water classification set by mandatory technical instructions 34/2012. These instructions divide quality of recycled water for irrigation purposes into four groups; A (high quality), B (good quality), C (moderate quality) and D (low quality).
- Instances of wastewater use in field farming were observed in al-Nassariya, al-Aqrabaniya and Beit Hasan areas, contrary to the public health law 20/2004, article (43) and the agriculture law of 2003, article (55).
- It was found by reviewing the activities of the general water department and general agricultural control department there are not documented protocols to have inspections over the use of wastewater in agriculture, and by means of a program approved by the Ministry.

Environment Quality Authority

- There are wastewater treatment plants that do not have environment approvals, such as the Kharas Municipality plant and Rammun – el-Taybeh plant.
- There is not control to require service providers to implement the environment and administrative protocols, and to monitor different environment elements to protect, ensure no-harm and apply necessary measures upon installing machines, preparing land and other processes (e.g.: groundwater tests, impact of treatment plants on groundwater).
- There are treatment plants that have not been visited during 2023, and no reports on environment impacts of these plants and compliance with conditions and specifications have been made. Examples include Beit Dajan plant and the Diplomatic Estate plant.
- Article (2) of the environment instructions and conditions of facilities state many environment conditions for treatment plants. However, it was found that the Authority does not have protocols to have treatment plants comply with environment conditions, by periodic rounds and inspections on implications on ground and surface water, annoyance caused by odors from plants unto nearby areas and suitable handling of sludge originated by treatment.

- No plans for awareness raising programs regarding sanitation and reclaimed water, with implications on the public health and environment, and the great reliance on stakeholders that might have environmental activities.

Ministry of Local Government (Nablus, Ramallah & Hebron municipalities)

- Cities of Hebron, Nablus, Ramallah and el-Bireh do not have rainwater drainage networks separate from sanitation networks.
- There are local entities that do not collect the wastewater treatment cost from the citizens' sanitation subscriptions, such Beit Hasan Village Council and Hijjeh Village Council.
- Wastewater, waste and testing samples from hospitals are not treated before being pumped into general network in Nablus, Hebron, Ramallah and el-Bireh.
- Deposits of stonecutting facilities are dumped without treatment into sanitation network in al-Fahs area, Hebron.
- The sanitation department at Hebron Municipality does not have a division to monitor wastewater from industrial waste (dairies, leather tanning, olive milling, stonecutting). In addition, we did not find whether the sanitation department was monitoring by means of inspections, and whether it working out solutions thereto.
- Although there are not Palestinian specifications for wastewater uses in purposes other than crops irrigation, it was found through data of the Water Sector Regulatory Council collected from local entities there are other uses than irrigation, such as Jericho and al-Tireh plants.
- Some treatment plants did not perform tests of incoming and outgoing wastewater, such as al-Tireh, ar-Rayhan and Anzah plants.

Significant recommendations

The Bureau identified many improvement opportunities through findings of the report. Accordingly, the Bureau recommends the following:

Water Sector Regulatory Council

- The Council should have field rounds and inspections to service providers, in order to validate the data entered into databases, with data and indicators of service providers' performance.
- Data in databases should be modified to be more accurate, and to eliminate any disagreement or mistakes, by requesting documents for data that service providers present, in order to ensure more accurate measurement of indicators.
- All service providers should be required to fill in their data into the Council's database, in order to ensure complete data of all service providers.
- The Council should bring together the effort of all stakeholders regarding the collection of treatment plants information, and setting consolidated databases to share information and statistical data, in order to ensure no disagreeing data published by all stakeholders, especially the Water Authority and Ministry of Agriculture.
- Indicators on operations of service providers should be set, as well as indicators on the compliance of plants staff with general safety conditions.

Palestinian Water Authority

- A high steering committee that combines all stakeholders should be formed in order to coordinate the effort regarding the planning, regulation and policy drawing of wastewater treatment and uses.
- The public-private sector partnership should be regulated, especially in the investment in wastewater and reclaimed water reuse projects, by having a legal environment and regulations to that end.

- Joint effort between the Authority and the Palestinian government should be coordinated in order to provide the financial resources for treatment plant projects, raise the reclaimed water amount in the Palestinian territories and limit the adverse implications on the environment and health of humans, and decrease the pressure on groundwater for agriculture purposes.
- The Authority, through committees it is part of and being responsible for meetings with Israeli side and with government support, should request the Israeli to compensate the Palestinians for environment and health damage caused by wastewater the Israeli settlements produce. The Authority should require the Israeli side to treat wastewater from the Israeli settlements with the same specifications they apply to the Palestinians.
- The Authority, representing the Palestinian government and in cooperation with international entities, should pressure the Israeli side in order to have them sign a protocol to regulate transboundary wastewater, in accordance with the international transboundary wastewater treaties. The Authority should demand compensating the Palestinian government for the reclaimed wastewater amounts the Israeli agriculture sector is benefiting from, due to clearance deductions made by the Israeli side for treating this water.
- The government should collect and enter information into databases and mapping system it approved, by entering the treatment plants coordinates into these systems, especially the Geo MOLG, in order to provide decision makers with information in due time.

Ministry of Agriculture

- Projects for the reclaimed water reuse should be provided, in order to use the reclaimed water and reduce the unused amount that flow into the landscape, so the water amount flowing into borders would be reduced to ensure low cost of transboundary water.
- Reclaimed water reuse projects should be had and intensified in plants where the reclaimed water quality falls in 'Group A', by having programs and projects to reuse this water, and having green spaces at service providers' premises irrigated with this water.
- The Ministry and other stakeholders should have protocols to require farmers to have a permit to use reclaimed water, in order to reduce the wrong uses of this water and the poor controls over.
- The Ministry should have a program to monitor the enforcement of Palestinian specifications regarding the crops that could be irrigated with reclaimed wastewater, should have comprehensive database about crops, soil and ability for irrigation, and should have them approved in Ministry's plans.
- Programs and activities should be approved in the Ministry's action plan (marginal water department) on monitoring the use of fertilizers and irrigation ways with reclaimed water, as per the reclaimed water classifications stated in the mandatory technical instructions.
- Documented programs should be set for the inspections of the reclaimed and untreated wastewater use for crops irrigation, and should be approved in plans of the departments in charge at the Ministry.

Environment Quality Authority

- Protocols should be set in order to require treatment plants to obtain environmental consents, by sending environmental violation notifications, and writing to all stakeholders informing them of the unlicensed plants.
- Protocols should be set to ensure that wastewater service providers (local entities) are complying with conditions of environmental consents approved by respective committee, by having inspections at these plants to ensure reduced adverse implications on the environment and public health.

- Periodic inspections to wastewater treatment plants should be conducted, and reports on environmental implications and the compliance of plants with conditions and specifications should be set.
- Forms of inspections should include the environment requirements (stated in the environment instructions and requirements for facilities), in order to ensure that inspection teams are looking into these requirements.
- A well-developed program to raise awareness of environmental risk from untreated wastewater should be approved and directed to communities near the exposed wastewater courses.

Ministry of Local Government (Nablus, Ramallah & Hebron municipalities)

- Service providers (local entities) should separate the rainwater drainage networks from the sanitation networks, in order to prevent the mix of rainwater with wastewater, and to prevent the environmental and operational problems at treatment plants and pipe blocking.
- Local entities that run wastewater treatment plants should comply with the consolidated tariff regulations and regulations for connecting houses and facilities with sanitation networks, in order to retrieve the wastewater treatment cost by collecting from wastewater subscriptions of citizens. The plants should be developed and maintained so they would not turn into health hazards.
- Strict measures should be taken to require owners of industrial, agricultural and service facilities to have initial wastewater treatment before being pumped into sanitation networks.
- Environment control units should be instated in all local entities that run wastewater treatment plants, which perform periodic monitoring of industrial facilities to ensure they are treating the wastewater they produce.
- Hebron Municipality should apply suitable protocols to find a solution to residuals of the stonecutting facilities before being disposed in sanitation network, and before reaching the treatment plant, by having a remedial plan due to adverse implications on operation of plants.
- Palestinian specifications for uses of wastewater in purposes other than crops irrigation should be set, in coordination with the remaining stakeholders, especially Standards Institute.
- Local entities should have laboratories at wastewater treatment plants, and should perform periodic testing of the incoming and outgoing wastewater, to ensure the compliance with mandatory technical specifications, and to reduce the adverse implications on health of citizens and the environment around plants.

Response of entity

Responses from Water Authority, Water Sector Regulatory Council and Ministry of Local Government confirmed observations of the Bureau. Many have taken recommendations of the report into consideration. Responses from Environment Quality Authority and Ministry of Agriculture were justifications of some observations, other responses took the recommendations into consideration.

VII. Local Government Audit Department

	Report	
1	Al-Jarushiya Village Council	
2	Wadi al-Far'a Village Council	
3	Kafr Nima Village Council	
4	Al-Lubban ash-Sharqiya Village Council	
5	Beit 'Awwa Municipality	
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8	Sarra Municipality, Nablus district	
9	Dura Municipality	
10	Joint service council for solid waste management, Nablus district	
11	Budgeting in the major local entities	
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13	Jenin Municipality	
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15	Kafr Aqab Municipality, Jerusalem district	

1. Al-Jarushiya Village Council

The Bureau audited the compliance of Al-Jarushiya Village Council for the fiscal year 2023. The audit included the financial affairs, management affairs, automated systems, water project and electricity project.

Best practices

- Authorizations of collectors in the automated system are defined.
- The accounting department has a metal safe.
- The electricity and water prepayment officer has judicial surety bond.

4. -Collected funds are kept in the safe until depositing in bank.

- The accounting department matches total collected funds of the day with what is deposited in the Council's cashbox.

Significant financial observations

- There is mismatch between the budget items and the accounts tree that Ministry of Local Government approved on one hand, and the accounts tree of the Council in 'Shamel' accounting system on the other hand.
- Financial management tasks of the Council are not separate. The accountant is doing the treasurer tasks (record of daily transactions 'receipt, spending' in the accounting system), and the collector deposits the collected funds at banks.
- Monthly bank reconciliations for the Council's accounts are not prepared.

4. The Council did not deduct income tax from rewards to the Council members.

- Property tax or old debts on subscribers of prepayment electricity meters are not collected. They are recorded in the system, where the collection can be linked to debts on payers.
- Loss of water network increased in 2023 (reached 39% according to records of the Council).
- Loss of electricity network increased in 2023, which reached 19% according to records of the Council, which is high.
- Debts on the Council to the Palestinian Ministry of Finance increased. They reached 2,127,000 NIS as at 2023 end.

Significant management observations

- The Council did not set a strategic development plan in partnership with the local community, which shows targets, future projects, implementing priorities, obstacles and solutions. This plan usually produces an annual executive plan.
- Performance of staff is not evaluated on annual basis.
- There is not job description of all positions in the Council, which defines responsibilities and duties of each staff member.
- The Council does not have approved and adequate procedure manuals for different jobs and activities, in order to ensure accurate and effective implementing that is in line with applicable standards and regulations.
- The minimum number of meetings (four a month) has not been met. Total meetings held 2023 were 16 out of 48 meetings.
- There is not personal custodies register for staff, and no register of the Council's fixed assets.
- Windows operating systems do not have strict controls (passwords).

Significant recommendations

- The accounts tree of the Council in 'Shamel' accounting system should match the items of approved budget by Ministry of Local Government.
- Tax should be deducted from rewards and transferred to the income tax department account.

- The Council should prepare a strategic plan and an annual plan.
- There should accurate job description that defines responsibilities, duties and authorizations of all positions in the Council.
- There should be approved procedure manuals to regulate all activities and works of the Council, and should be updated regularly and made available to staff.
- The Council should hold a sufficient number of meetings (at least one a week), in order to discuss important matters and take necessary decisions.
- There should be strict controls over the access to operating systems of personal computers, such as elaborate passwords, which should be changed regularly.

Response of entity

The Council did not respond to the preliminary report.

2. Wadi al-Far'a Village Council

The Bureau audited the compliance of Wadi al-Far'a Village Council for the fiscal year 2023. The audit included the financial affairs and management affairs.

Best practices

- The Council has an organizational structure approved by entities in charge.
- There is accounting automated system that provides accurate and complete information about accounts of the Council.
- The Council had the cashbox and funds transport insured.
- There is written procedure manual to regulate financial and management affairs of the Council.
- Accounts receivable decreased by 9% in 2023, which means that the collection process has improved.

Significant financial observations

- Bounced cheques are not followed up within a maximum period of 15 days, and no legal action thereto is taken.
- Revenues of the water project are not deposited in a designated account, where they are deposited in the Council's main account contrary to instructions of Ministry of Local Government on the subject.
- The licensing and collection of crafts and industries revenues are poor. 18 licenses were issued in 2023, out of 94 stores recorded in the crafts and industries register (19% of total stores and crafts).
- There is not separate register to enter revenues of house waste subscribers. There is not separate program to monitor the due waste fees, collected via the electricity prepayment program through Tubas Electricity Co.
- Some procurements are paid for without source deduction certificate. The 10% was not deducted and deposited to the income tax department through the deductions file of the paying entity.
- Some expenditures are paid for without attaching entry documents.

Significant management observations

- The warehouse does not have documenting cycle, and not all procured items are admitted in the warehouse as per principles and official receipt minutes. Entry and discharge documents of supplies are not used.

- There is not accurate job description to define responsibilities, duties, tasks and authorizations of all positions.
- The minimum number of meetings (four a month) has not been complied with.

Significant recommendations

- Bounced cheques should be monitored within a maximum period of 15 days, and legal action should be taken.
- The Council should deposit the water project revenues in a special bank account.
- Legal action should be taken against those who do not have licenses and pay the crafts fees.
- Entry documents to the warehouse should be attached with spending documents for procured items.
- Documenting cycle for the warehouse should be present. All procured items should be admitted into the warehouse as per principles and official receipt minutes, and entry/discharge documents of supplies should be used.
- The Council should hold a sufficient number of meetings (at least one per week), in order to discuss important matters and take suitable decisions.

Response of entity

The Council did not respond to the preliminary report.

3. Kafr Nima Village Council

The Bureau audited the compliance of Kafr Nima Village Council for the fiscal year 2023. The audit included the financial affairs, management affairs, meetings of the Council, supplies, assets and waste project.

Best practices

- The Council has annual budget approved by Ministry of Local Government.

2. Accounts payable in the Council decreased 2023 compared to 2022.

Significant financial observations

- Bank reconciliations are not duly prepared on regular (monthly) basis.
- The accounts receivable increased, where the Council did not take effective action to require payers to pay dues. The due waste fees on subscribers reached 742,931 NIS as at 2023 end. It was not found whether there are effective measures to collect due debts.
- The Council did not perform period and unexpected cashbox inventories with official minutes.
- Cash revenues are not regularly deposited in bank accounts of the Council.
- Some procurements were paid without presenting source deduction certificate by suppliers. The 10% was not deducted off vouchers and supplied to the income tax department.

6. The Council paid for purposes that do not fall under spending of local entities, contrary to the local entities financial regulations, article 13.

Significant management observations

- The Council does not have an oversight panel for its works formed of Council members, which monitors the action and prepares audit reports of total work periodically or upon request.
- No job description of all jobs.
- No comprehensive procedures guides to regulate action of all departments.
- Some members have been absent for more than 3 consecutive meetings without official excuse accepted by the Council, and without taking any action against.

- The same members are present in bidding opening and evaluation committees. The mayor and two members were present at bidding invitation, opening and evaluation.
- There has been violation to some articles of the public procurement law and the public procurement regulations in terms of estimated cost, guarantees and project receipt reports.

Significant recommendations

- Bank reconciliations should be duly and regularly made.
- The Council should take effective measures to require payers pay due amounts.
- Cash revenues regularly collected should be deposited in bank accounts of the Council.
- The Council should spend within limits of approved budget, and should not violate the local entities financial regulations.
- A committee should be formed of competent Council members for the internal audit of financial and management action, and make reports thereto.
- Comprehensive procedure manuals should be set to regulate the action of all departments.
- Clear job description of each duty in the Council should be made for jobs in the organizational structure.
- Suitable action should be taken when any member is absent for more than 3 consecutive meetings without official excuse accepted by the Council.

Response of entity

The Council did not respond to the preliminary report.

4. Al-Lubban ash-Sharqiya Village Council

The Bureau audited the compliance of Al-Lubban ash-Sharqiya Village Council for the fiscal year 2022. The audit included the financial affairs and management affairs.

Best practices

- The Council has annual budget approved by Ministry of Local Government.
- The Council has an accounting system that provides financial information.

Significant financial observations

- There is not separation of the financial department tasks. The Council does not employ a treasurer to regulate and authenticate the revenues as an audit procedure. The collector does both the tasks of collection and the treasurer, so the revenues are not authenticated.
- The Council does not have a petty cashbox, but relies on electricity revenues to finance operational budget.
- The mayor and the accountant do not sign off bank reconciliations, but the accountant only stamps them, which undermines internal control at the Council.
- The billboard fees inside boundaries of the Council are not imposed.
- Crafts and industries fees are not collected from shops that practice a craft or an industry.

Significant management observations

- There is not a committee or an employee to audit and present period reports about action of the Council.
- The Council does not have procedure manuals that show protocols to be followed and technical powers.
- The Council does not have a strategic plan that shows activities and works at the village, in order to strengthen service capacity for the public good.

- No approved annual plans that regulate the action of all units and departments of the Council, with targets, standards and implementing schedule.
- The Council did not allocate funds for the end-of-service reward as part of its general budget.
- The Council does not have assets and supplies log, where assets and properties of the Council are recorded, besides all transactions made (admission, discharge) as per approved forms.
- The Council does not perform periodic inventories of assets and properties. There are not lists that state or document the assets and supplies, which are used to perform inventories.

Significant recommendations

- The Council should optimally use the available human resources in order to separate tasks of the collector, have the separation of powers implemented and ensure effective control of funds.
- The Council should introduce a petty cashbox to cover the daily expenditures.
- The crafts and industries fees should be collected as per regulations, and legal action should be taken to require payers to pay.
- An employee or a committee should be appointed to perform financial, management and technical audits of action, and should report to the Council in order to improve the performance.
- Comprehensive procedure manuals should be made and approved, which show action protocols at the Council.
- A strategic plan should be made, which is mainly based on vision and mission of the Council, with needs and service to the public.
- The Council should keep official books of supplies inventories, where all assets, properties and immovable escrows are recorded in order to protect and compare between them, which ensures regulation and management of assets.
- The Council should perform annual inventories on regular basis, as per principles and according to the approved inventory forms. The Council should make actual comparisons between what is recorded in assets and supplies logs, and compare them against the logs of supplies and properties.

Response of entity

The Council responded to the preliminary report. The Council expressed keenness to enforce the recommendations.

5. Beit 'Awwa Municipality

The Bureau audited the compliance of Beit 'Awwa Municipality for the fiscal year 2022. The audit included the financial affairs and management affairs of that year.

Best practices

- There is an approved organizational structure, which shows management chain and positions.
- There are approved estimated budgets for each year, which shows the projected revenues and expenditures.
- The Municipality carried out several projects in town, such as internal streets renovation and retaining walls construction.
- There is complete documenting cycle of all financial transactions, which records and documents financial information on regular basis.
- The Municipality contracted with external auditors to audit financial transactions, express opinion about the financial statements and report the accounts of each fiscal year.

Significant financial observations

- The municipal council did not approve the draft budget of 2022 within legal term (two months before start of respective fiscal year).
- The financial department receives cheques from some payers to pay for dues, not issued by accounts of payers in question (endorsed cheques). Legal action was not taken against some bounced cheques, contrary to the local entities financial regulations of 2019, article (44).
- The electricity subscription tariff approved by Electricity Sector Regulatory Council was not complied with.
- The Municipality does not calculate and impose fines for exceeding the percentage of building licenses, except for the agricultural ones. The billboard fees are not imposed and collected.
- The Municipality does not have an approved record for waste fee revenues. There is not database that shows waste fees and dues to date.
- The Municipality did not have all staff members covered by medical insurance.
- The Municipality does not have pension or saving fund, to which deposits are made from salary deductions and the approved percentage of the Municipality, as per regulations. The pension deductions are calculated in books in the financial statements, and pensions are paid in cash from the municipal cashbox.
- There are not effective procedures to collect electricity dues, where no collection from payers has been recorded at all.
- Electricity bills due from 2017-2022 were not paid, despite the Ministry deducted the road transport fees and profession licensing fees.
- The Municipality does not have the capacity to pay bills due to the accumulate deficit of electricity project, the fact that most payers manipulated electricity meters and absence of full control thereto.

Significant management observations

- The Municipality does not evaluate staff performance as per performance management templates from certain procedures and controls set by the municipal council.
- The Municipality announced the hire of five daily-contracted employee in 2022 without following the legal action for employment. There were not announcements in daily newspapers, and staff affairs committee did not hold competitions. Some contracts were renewed for terms more than stated in law (six months extended once as needed).
- There are not procedures to record and deliver material in warehouse. There is not warehouse keeper to perform duties as per job description, which might lead to possible misuse of material, and to absent of regulation and control.
- Some members have been absent from more than 3 consecutive municipal meetings in 2022, without taking legal action.

Significant recommendations

- The municipal council should approve the draft budget within legal term.
- The Municipality should take necessary and suitable legal action to collect bounced cheques within legal term, and endorsed cheques should only be accepted from payers.
- The tariff approved by Electricity Sector Regulatory Council, especially the new subscription fees, should be complied with.
- The engineering department should calculate and impose fines for exceeding the percentage of building licenses, and should not be ignored.

- Beneficiaries from waste service should be accounted for, and the amounts due on subscribers should be collected and recorded in an automated accounting system, to prevent the loss of funds.
- The education tax should be recorded and calculated, based on the actual building and estates valuation as per the valuation and estates records, Ministry of Finance.
- Debts on the Municipality to Ministry of Finance should be paid and scheduled.
- The municipal council should set protocols and regulations for staff performance evaluation.
- Legal action upon appointments should be followed, and provisions of local entities staff regulations should be complied with, as per actual need for human resources.

Response of entity

The Municipality did not respond to the preliminary report.

6. Beit 'Anan Municipality

The Bureau audited the financial and management action of Beit 'Anan Municipality for the fiscal year 2023.

Best practices

- There are approved estimated budgets for each year, which define the projected revenues and expenditures.
- There is documenting cycle of all financial transactions, which records and documents financial information on regular basis.

Significant financial observations

- There were deviations in implementing several revenues and spending items of the approved budget.
- Bank reconciliations are not set as per principles on regular (monthly) basis.
- Accounts receivable of the Municipality increased, which did not take effective action to require payers to pay due amounts.
- Cash revenues regularly collected are not deposited in bank accounts of the Municipality.
- The Municipality does not collect billboard fees from shop owners in town.
- The Municipality does not collect education tax from taxpayers to build, develop and maintain schools.
- The Municipality did not deduct the income tax at 5% off the dues of independent business owners for the works they did for the Municipality, and the income tax off overtime and staff rewards.
- The Municipality does not have a log to record receipt books and other financial books.
- The municipal accountant makes the funds transfers as the Municipality collects at its premises. Nobody else audits these transfers.

Significant management observations

- The Municipality does not have a committee formed of municipal council members, to audit its works and make periodic audit reports or reports upon request about total works.
- The Municipality does not have job description of all positions, and does not have comprehensive procedure manuals to regulate the action of all departments.
- The municipal council held 30 meetings during 2023, contrary to the local entities law of 1997, article (1.8) that states at least one meeting a week shall be held.
- The same council members are present in bids opening and evaluation.

- The Municipality does not collect the license fees, as stated in the building and planning regulations, table 3.
- The Municipality does not collect 10% of licensing fees as construction compliance deposit, and does not collect 10% of licensing fees for water wells construction.
- The Municipality does not require citizens to have pouring permissions.
- The Municipality does not have a buildings observer inspect the unlicensed building violations.
- There is not an engineering supervision agreement in licensing files.

Significant recommendations

- The Municipality should comply with allocations of the approved budget, should spend within limits and should make bank reconciliations as per principles on regular basis.
- The Municipality should take effective action to require payers to pay due amounts, and should deposit cash revenues regularly collected in bank accounts of the Municipality.
- Billboard fees should be collected from show owners in town, and should collect education tax from payers in order to spend on schools in town.
- The Municipality should deduct income tax from dues of independent business owners for the works they did for the Municipality, and should deduct the income tax off overtime and staff rewards.
- A committee should be formed of competent municipal members for internal audit of financial and management action of the Municipality, and make reports about its job.
- Comprehensive procedure manuals should be set to regulate action of all departments.
- Clear job descriptions for each positions in the Municipality should be set as part of its organizational structure.
- At least one municipal council meeting a week should be held, separate committee for bids opening and technical/financial evaluation should be formed and a bids' box should be provided.
- The Municipality should comply with the public procurement law and regulations in all procurements, and should comply with the building and planning regulations in all relevant operations.

Response of entity

The Municipality responded to the preliminary report. The Municipality expressed keenness to enforce the recommendations.

7. Bethlehem Municipality

The Bureau audited the financial and management action of Bethlehem Municipality for the fiscal year 2023.

Best practices

- There is acting head of internal control unit.
- There are estimated budgets for each fiscal year, which define the projected revenues and expenditures.
- There is documenting cycle for all financial transactions, which documents financial information on regular basis.

Significant financial observations

- The fiscal year 2023 has not been closed, where entries are made and modified by system users, contrary to the generally accepted accounting standards.
- The Municipality paid amounts that do not have allocations in the approved budget.

- The Municipality paid overtime hours to two group (1) employees. There are also violations upon paying monthly overtime hours to some employees, where payments exceeded the legal rate of total monthly salary per employee.
- Rewards were paid to the education tax committee members for attending the meetings (350 NIS per meeting), as per the education tax committee decision (8) on 14.02.2023, without having the education minister's approval to the reward.

Significant management observations

- Annual approved executive plans are not made, which regulate the action of all units and departments, and include targets, standards and time schedule for implementing.
- There are not approved guides for all actions in the Municipality, which define the details and action procedures, in line with laws, regulations and instructions from entities in charge.
- No inventory for assets at the Municipality's warehouse, and no regular and unexpected inventories of items at warehouse by an independent committee. There are not item cards, which show numbers and names as per the accounting system.
- Size of works and activities of the control unit does not suit the existing human resources. The internal control unit does not have plans or programs to do its job, and did not have any audit reports during 2023, which show deviations or shortcomings. Staff of the unit only audit the building license fees.

Significant recommendations

- The Municipality should make financial statements for 2023 and have them approved by minister of local government.
- Fiscal year of 2023 should be closed in the financial program once the financial statements are made, audited and approved by an external auditor, and should only be opened for modifying entries decided by the auditor.
- Amounts allocated in the approved budget should be complied with and should not be exceeded. Prior consent should be obtained from Ministry of Local Government for the expenditures to be paid for, as per a budget annex.
- The overtime payments should not exceed the allowed rate in regulations. The actual needs of overtime hours should be considered carefully, and no overtime hours should be paid to any of the senior officials and groups (1) officials.
- Rewards for attending the meetings should be stopped due to lack of decision to pay for attending the education tax committee meetings. The number of education tax committee members should be observed, as per provisions of the amended regulations of 2021.
- The annual plans of all departments should be set, approved and implemented, which should include clear targets associated with time schedule and protocols to implement the targets and evaluate the plans on monthly basis. Procedures guides for all action should be set and agree with all applicable laws and regulations in the local entities.
- A warehouse keeper should be appointed or assigned in order hand material and supplies to technicians or departments. Items inside the warehouse should be inventoried and balanced, and an inventory committee should be formed to perform unexpected and annual inventories. Items should be recorded with item cards in the financial program.
- An effective internal control unit should be instated to audit and report different action to the municipal council on regular basis, in order to improve the performance.

Response of entity

The Municipality responded to the preliminary report. The Municipality expressed keenness to enforce the recommendations.

8. Sarra Municipality, Nablus district

The Bureau audited the compliance of Sarra Municipality for the fiscal year 2023. The audit included the financial affairs and management affairs.

Best practices

- There are estimated budgets for each fiscal year, which define the projected revenues and expenditures.
- There is documenting cycle for all financial transactions, which documents financial information on regular basis.

Significant financial observations

- The accountant and the treasurer (also collects) did not close and balance the cashbox on daily basis, as per duly documented minutes.
- Data of prepayment system were lost from servers (storage unit) of the Municipality, which affected the capacity of validate the amounts collected.
- The accountant and the treasurer did not print out and compare the daily prepayment lists, and did not carefully validate them in documented fashion in the cashbox register.
- The treasurer, who is assigned with collection, does not have a judicial surety bond.
- The accountant did not accurately record the liabilities of subscribers in the accounting system. He only uses data of prepayment system, which were lost later.

Significant management observations

- No separation of duties and powers between the collector and the treasurer.
- Files of staff do not include all supporting documents of appointment and staff-related decisions.
- The council members do not hold meetings at least once a week.
- Servers of the Municipality are not kept in safe place.

Significant recommendations

- The treasurer or the officer assigned with collection should have judicial surety bond as per provisions of the financial regulations, 2019.
- Cashbox should be closed on daily basis as per official minutes.
- The Municipality should print out the daily prepayment list and have it signed by the collector, treasurer and accountant.
- Liabilities of subscribers should be balanced and recorded.
- Data of prepayment system should be protected by having the servers (storage units) in safe places.
- Tasks and duties of the financial department (collector, treasurer) should be separate.
- Staff files should be prepared, which include all supporting documents of appointment and decisions.
- Council members should hold meetings at least once a week, as per provision of local entities law 1/1997.

Response of entity

The Municipality responded to the preliminary report. The Municipality expressed keenness to enforce the recommendations.

9. Dura Municipality

The Bureau audited the compliance of Dura Municipality for the fiscal year 2023. The audit included the financial affairs and management affairs.

Best practices

- Internal control unit has an acting head.
- There are estimated budgets for each year, which define the projected revenues and expenditures.
- There is documenting cycle for all financial transactions, which documents financial information on regular basis.

Significant financial observations

- The fiscal years of 2022 and 2023 have not been closed, where entries are made and modified by system users, contrary to the generally accepted accounting standards.
- The Municipality paid amounts that do not have allocations in the approved budget.
- Payment for some expenditures has exceeded what is allocated in the 2023 budget approved by minister of local government.
- The Municipality calculates and generates amounts without legal reference.
- The account balance of building license revenues does not show actual revenues values.
- The Municipality calculated the fees of car parks that do not appear in construction plans, and at fees different from the car park fees stated in the building regulations. The Municipality did not deposit the collected amounts in a special fund to establish car parks.
- The billboard fees are not imposed on all commercial stores within boundaries of local entity.
- The Municipality did not deduct income tax from rewards, which were paid to staff on national holidays as per vouchers separate from salaries.
- The payment of monthly overtime hours to some employees involved violations.
- The Municipality did not include all staff in the health insurance policy. The Municipality paid part of the health insurance fees from the municipal fund, and included as part of bonuses in payroll slips, without approval from local government minister as they are part of municipal spending.
- The Municipality paid bonuses under ‘municipal council’ title at different amounts (100 - 600 NIS a month), as per previous municipal council decisions, without legal provisions that regulate this bonus, and without approval from the local government minister.
- The Municipality did not enforce the local government minister decision (1/8-4957) from 26.12.2016 and decision (1-2021-796) from 09.02.2021 on the 7% deduction from total staff payment after 01.01.2010. The 7% is deducted from basic salary of all staff, contrary to decisions above, and the Municipality did not pay its mandatory contribution (9% of total salary) to the pension fund for staff appointed after 01.01.2010.
- The Municipality paid bonuses under ‘rare specialty’ title to three employees as per previous municipal council decisions, without legal provisions that regulate this bonus, and without approval from local government minister.
- Ministry of Finance and the Municipality did not settle the indebtedness as at 31.12.2023. It was noticed that dues of the Municipality on the Ministry and public entities in the city exceed the dues on the Municipality to the Ministry.

Significant management observations

- Size of works and activities of the control unit does not suit the existing human resources. The internal control unit has only one employee assigned as acting head, does not have plans or programs to do its job and did not have any audit reports during 2023.

- The Municipality does not have approved job description, holders of financial custodies were not issued judicial surety bonds and no annual executive plans to regulate the action.
- The Municipality does not have approved procedure manuals for all of its departments, which define the details and procedures in line with laws, regulations and instructions from entities in charge.
- The Municipality appointed a number of day-to-day employees and made monthly employment contracts during 2023 without following legal procedures.
- The Municipality renewed some day-to-day employment contracts longer than the term stated in law (six months renewable once as necessary).
- There are not item cards for material inside warehouse, which show numbers and names as per the accounting system.
- Legal action regarding exemptions from municipal council is not taken, where exemptions are sanctioned without approval from Ministry of Local Government.

Significant recommendations

- Fiscal years of 2022-2023 should be closed in the financial program once the financial statements are prepared, audited and approved by an external auditor, and should only be opened to modifying entries decided by the auditor. Amounts allocated in the approved budget should be complied with and should not be exceeded. Prior consent from Ministry of Local Government should be obtained for expenditures to be paid as per the budget annex.
- All staff that receive funds should be issued judicial surety bonds.
- Financial manager should approve the bank reconciliation form, in order to show it has been audited and validated.
- The Municipality should stop imposing fees not stated in regulations, and should comply with the building and planning regulations of 2011.
- Car park fees should be imposed as per article (32) and table (4) of regulations.
- Billboard fees should be imposed to all commercial stores and billboards in town, in line with the respective regulations.
- Payment for items that do not have allocation in the approved budget should be stopped, and payment for items that do not fall within spending should also be stopped.
- The Municipality should accurately decide the amounts to be supplied and installed, as per the procurement protocols stated in public procurement law and regulations, and should have changing orders in case new items increased, or if the amounts exceeded the offer price.
- The Municipality should calculate the rewards value, and should deduct and deposit the income tax to the income tax department.
- The percentage allowed to pay the monthly overtime hours to some employees should not be exceeded. Actual need for overtime hours should be carefully studied.
- The Municipality should include all staff in the health insurance policy, and should document all evidence of subscribed staff with spouses and parents. The Municipality should stop paying the health insurance contribution.
- The council bonus should be stopped in compliance with provision of local government staff regulations.
- The Municipality should look into possible involvement with the Palestinian Pension Agency, and should decide between that or full enforcement of the pension fund, by complying with the general pension law and decision of local government minister on mandatory contribution of staff and the Municipality into the pension fund, and pensions should be paid from that fund.

- The ‘rare specialty’ bonus should be stopped in in compliance with provision of local government staff regulations.
- The Municipality should comply with the general procurement law and regulations upon procurements according to procurement limits, and should have necessary competition to reach the best specifications at reasonable cost.
- Financial reconciliation for the accounts payable and receivable should be set between Ministry of Finance and the Municipality regarding all fees.
- An effective control body should be operational, and job descriptions for all positions should be set (academic degree, targets to achieve).
- Annual plans for all departments should be set and approved, and should include clear targets with time schedules, protocols to realize and annual evaluation of plans by the departments.
- Procedures guides for all actions of the Municipality should be set, which should comply with laws and regulations applicable in local entities.
- Legal action should be followed upon appointment, and provisions of local entities staff regulations should be complied with as per actual needs.
- The Municipality should comply with provisions of council of ministers decision 1/2009, regarding renewal to some day-to-day contracts, and as per employment terms stated in law.
- Items should be recorded and encoded as per cards in software and warehouse.
- The Ministry of Local Government approval should be obtained regarding any exemptions or deduction of fees, in compliance with the local government law, article (28).

Response of entity

The Municipality responded to the preliminary report. The Municipality expressed keenness to enforce the recommendations.

10. Joint service council for solid waste management, Nablus district

The Bureau audited the compliance of the council for the fiscal year 2023.

Best practices

- External independent auditors audit the financial accounts of the council each year.
- The council approved the life cycle cost when buying vehicles. Efficiency, low maintenance cost and fuel consumption are considered across the virtual production life, not only the low price.
- The auto-run system is used to control movement of vehicles and fuel consumption.

Significant financial observations

- There is not an independence committee of the board members to monitor all action.
- The financial and management report for 2023 has not been made by the accountant, under the head supervision.
- The Council did not set financial statements of annual report by the accountant under the head supervision at 2023 fiscal year end.
-The accountant assigned with the cashbox does not have judicial surety bonds.
- Waste collection fees from local entities are not calculated based on actual cost (or cost refund basis) as a minimum. Variable fees not based on actual cost from entities members to the council are being calculated.
- The council does not charge subscription fees from members.
- The council carries out payments contrary to the public procurement law and regulations. Some procurements require invitations to bid, but the council invited quotes instead.

- The council did not require the insurance company to have the 10% well implementing guarantee for staff injuries and vehicles, contrary to technical conditions in the invitation booklet for vehicles' insurance.
- The health insurance deductions in health cost account are not correct.
- Some payment vouchers do not include detailed estimated cost report.
- The debts with doubtful collection of accounts receivable are not recognized, and debts with doubtful collection neither are recognized in the auditor report, nor appear in the accounting system.

Significant management observations

- The council did not set complete system for the solid waste collection management in all local entities member to the council, by having necessary plans and supervising the waste collection and transport, in order to protect the environment.
- The council did not establish relay, treatment and recycling plants or any other facilities.
- The council does not transport the solid waste from relay plants to 'Zahrat al-Finjan' landfill.
- The council does not raise the environment awareness of local community with public campaigns to protect the environment, contrary to internal regulations of the council, article (5.i).
- The council did not set plans and did not apply all means to reduce the solid waste pollution. The council did not have means to that end.
- The council did not process the medical waste in the collection point (Sairafi plant), or did not separate them from house waste during transport to 'Zahrat al-Finjan' landfill.
- The council did not have any training courses or workshops for the human resources, on waste collection, transport and disposal.
- A board member has been absent from more than three meetings in more than eight consecutive sessions. The board member position should be considered vacant in case of absence for more than three consecutive meetings without legitimate excuse acceptable by the board.

Significant recommendations

- An independent committee from the board members should be assigned to monitor action of the council and present reports.
- The accountant should set financial report at fiscal year-end under the head supervision, in compliance with provisions of regulations to enhance governance of management.
- The council should have annual financial and management reports at fiscal year-end.
- Staff assigned with the cashbox should be issued judicial surety bonds, in compliance with provisions of the financial regulations.
- The waste collection and transport fees should be approved as per the 'refunded cost' basis, so the council can fulfill obligations to others, have sustainable service and bridge the financial gap.
- Local entities should be charged subscription fees upon joining the council, as per provisions of regulations.
- The council should comply with limits and regulations of the public procurement law, so procurements are made as per the public procurement law and regulations.
- The council should take proper action to require companies to apply conditions stated in bid invitation booklets.
- Health insurance deductions should not be recorded in the insurance account, but in a medium account.
- The council should make detailed estimated cost report before resorting to procurements, and should enclose this report with payment vouchers.

- The council should recognize the bad debts allocation in the financial statements, so it would be recorded in the accounting system.
-The council should set suitable and well-thought plans for waste collection and transport in order to preserve the environment.
- The council should establish relay, processing and recycling plants, or any other facilities to fulfill its duties.
- The council should move the solid waste from relay stations to 'Zahrat al-Finjan' landfill.
- The council should raise the environment and health awareness of local community, by having public campaigns to keep the environment clean.
- The council should set plans and apply means to reduce the solid waste pollution, and should have the means to that end to realize the protection principle.
- The council should process the medical waste in the collection point (Sairafi plant), and should separate them when moved to 'Zahrat al-Finjan' landfill.
- The council should have training courses or workshops for the human resources, on waste collection, transport and disposal, according to available potentials.
- The board should take legal action against members who are absent from meetings without acceptable accuse.

Response of entity

The council responded to the preliminary report. The council expressed keenness to enforce the recommendations.

11. Budgeting in the major local entities

The Bureau audited the budgeting in major local entities during 2023.

Best practices

- There are audit procedure manuals, and the local government minister approves budgets of local entities. The guides are used by the budgeting, guidance and monitoring department.
- The local entities budgeting portal, applicable in the budgeting department, facilitates the budgets reporting to Ministry of Local Government by local entities, to be audited, commented and approved local government minister. The manual approval of local entities' budget has been abandoned.

Significant observations

- Most of expenditures exceed the revenues, which makes covering the working expenditures difficult. This was evident in most of local entities' budgets.
- Most of local entities rely on overstating their budgets in order to have surplus in budgets presented to Ministry of Local Government for approval. It was found there are huge differences between the revenues estimated in these budgets, and the actual revenues collected for the budgeted year.
- The local entities budgeting portal is facilitating the approvals of budgets. However, it does not address the long time taken by budgeting departments to approve the local entities' budgets.
- The local entities financial regulations 11/2019 do not set specific date and time limit to approve the local entities' budgets, which might have adverse impacts such as lack of control over the local entities' performance, lack of transparency and public funds misuse. Moreover, payments as per local entities' plans might be vulnerable to great deviations.
- Local entities pay expenditures no more than 1/12 of the previous year' budget regarding the working expenditures, and suspend all capital and development spending until budgets are

approved due to late budget approvals, which affects the progress of local entities and render them unable to execute programs of the running fiscal year.
- There are differences in the estimated amounts of revenues and expenditures entered into budgeting programs when budgets are presented for approval, and in the estimated amounts of revenues and expenditures that appear in financial statements of these entities, presented via budgeting software of the local entities for the same budgeting fiscal year.
- There is not sufficient monitoring by the general budgets department in order to require all local entities to present financial statements within deadlines.
- Most of the financial statements, presented through local entities' budgets, are not approved.
- Some local entities did not present budgets of 2023 through the portal to have them approved before 2022 end. It was found that these entities presented budgets in 2023.
- There is not unified financial basis for local entities budgeting. It was found that some of them use the cash basis, whereas others use the accrual basis. Thus, failure to have unified basis causes many problems when making and presenting the budgets through the portal.

Significant recommendations

- Local entities should be required to enclose financial statements that cover the previous fiscal year, and these statements should be approved by the municipal council as a condition to approve the coming year' budget.
- Ministry of Local Government should amend the local entities financial regulations with the necessary legal frameworks. The financial regulations state a date to present the budgets, not a time limit to have them approved. Instructions that define time limit to approve budgets should be set until the necessary amendments are finished.
- Ministry of Local Government, budgeting department should verify the estimated revenues and expenditures in budgets of local entities. These revenues and expenditures should reflect conditions of local entities, and there should not be huge gaps between the estimated revenues and expenditures at year-end, by referring to actual historical data of financial statements.
- Local entities should set and present budgets to Ministry of Local Government in due course, so the budgeting department could review and approve the budgets quickly, to ensure that plans of local entities would not be affected by allocating all capital and development spending until the budget is approved.
- Local entities should verify the estimated revenues and expenditures amounts entered into the portal. The amounts should match the (estimated) amounts stated in the financial statements made at year-end, and should be presented via the portal.
- Ministry of Local Government should monitor and require the local entities to present financial statements in due course, and these statements should cover the entire budgeting year and be approved by municipal councils.
- Local entities should present budgets via the portal to Ministry of Local Government for approval before end of the year preceding the budget year. Local entities financial regulations should be amended through legal frameworks to include time limits for budgets approval.
- Ministry of Local Government should have unified financial basis for local entities budgeting, in order to avoid problems when setting and presenting the budgets via the portal.
- Ministry of Local Government should monitor and supervise the actual implementing of approved budgets for local entities, by having reports about budget implementing during the fiscal year (quarter, biannual) from the Ministry, and linking that with making and approving the budgets for subsequent fiscal years.

Response of entity

Ministry of Local Government responded to the preliminary report. The Ministry expressed keenness to enforce the recommendations.

12. Accounts payable & receivable in local entities

The Bureau audited the accounts payable & receivable in local entities during fiscal year 2023.

Best practices

- A unit on net lending and collection has been formed of staff from relevant government entities in order to address the net lending with local entities. Members include Ministry of Local Government, Ministry of Finance, Ministry of Health, Ministry of Education, Ministry of Endowments & Religious Affairs, Energy & Natural resources Authority, Water Authority, Military Financial Administration, Electricity Sector Regulatory Council and Palestine Electricity Transmission Co.
- Net lending department processed the net lending and collection, made necessary reconciliations with a number of local entities and reached final amounts regarding net lending with these entities.

Significant observations

- Monthly debts to Ministry of Finance on local entities have increased due to delayed payment of electricity and water bills. These bills are deducted off monthly clearance amounts.
- Water and electricity debts of citizens increased due to failure to pay the local entities, especially those that do not use prepayment systems.
- Quality and sustainability of water and electricity service were affected in local entities that do not collect bills, due to failure to undertake any development and maintenance projects.
- All projects from Ministry of Finance were stopped at local entities that do not pay monthly water and electricity bills, besides the failure to settle the increased water and electricity debts with Ministry of Finance.
- The Israeli national electricity and water companies are controlling and monopolizing the water and electricity sector in Palestine, due to absence of real competition domestically or from abroad.
- Water and electricity distribution companies (national company, Mekorot) charge the local entities that do not pay on time delay fines.
- The Palestinians do not monitor the consumption amounts of water and electricity. There are not meters to monitor the consumption and bills issued by the national company and Mekorot, which provide the Palestinian territories with water and electricity. The consumption should be jointly monitored between Energy Authority, Ministry of Local Government and the transmission company to ensure readings accuracy.
- Some local entities use the funds collected from water and electricity bills to cover working expenditures, and to spend on some projects instead of prioritizing the payment of water and electricity bills to distribution companies or Ministry of Finance.
- There are not effective legal measures to collect debts from subscribers, which makes it difficult to take legal action against people who do not pay, and difficult service suspension or fine imposing.
- Some local entities are having increased working expenditures, especially payrolls that represent the biggest part thereof. Most of revenues are used to cover working expenditures instead of payment.

- Most of local entities did not have information awareness campaigns of importance to pay water and electricity bills on time, and to encourage the compliance with payment.
- Some local entities scheduled due debts on beneficiaries from water and electricity, such as paying the new bills and part of previous debts. However, it was noticed that this initiative did not help reduce debts significantly.
- Some local entities kept providing water and electricity without joining licensed electricity transmission companies as per laws and regulations, which affects service quality to the public due to limited technical capacity necessary to manage electricity tr6ansmission at some local entities.
- Ministry of Local Government granted different projects to some local entities that do not pay for water and electricity regularly, but treats them on equal terms with local entities that pay on regular basis.
- There are differences between liabilities recorded in local entities' lists and liabilities balanced on these entities by Ministry of Finance for 2023.
- There are local entities that did not schedule and settle the water and electricity debts with Ministry of Finance. It was found that 29 local entities did not schedule the electricity debts, whereas 20 local entities did not settle the water debts.
- There are local entities that did not open bank accounts for the revenues of water project and electricity project, in order to deposit all revenues therein.
- There are council members of local entities who have increased and unpaid water and electricity debts.
- There are due debts to most of the audited local entities on government entities, such as mosques, schools and district department of ministries.
- The collection rate of the water and electricity project varies between local entities, due to different action followed by these entities to collect the debts. The local entities also vary upon having promotional campaigns and discounts to encourage payment of debts.
- It was found that some local entities have debts to joint service councils, which does not help optimal service provision and expenditures covering.

Significant recommendations

- All local entities should pay for the electricity they buy from the national company, and should pay for the water supplied by Mekorot on regular basis.
- Citizens should be encouraged to pay the due water and electricity bills to local entities, so the latter can fulfill their obligations.
- Local entities should have balanced spending for obligations, and should develop the water and electricity networks to improve and sustain the service.
- Local entities should schedule debts with Ministry of Finance, in order to guarantee their right to the share of projects the Ministry is providing, thus helping the infrastructure improvement.
- Other sources of water and electricity should explored, in order to ensure no service monopoly that affects price and quality.
- Local entities should pay water and electricity bills on regular basis, and should not delay payment so they would not be charged fines.
- There should be effective control over the water and electricity consumption, and over the bills the national company and Mekorot issue. Smart meters should be installed after those of the national company and Mekorot in order to ensure accurate reading.

- Local entities should not pay for working expenditures from water and electricity revenues before paying the water and electricity bills. Spending priorities should be directed to pay the bills and improve service quality, by maintaining and developing the networks.
- Strict penalties should be taken against subscribers who do not pay water and electricity due to local entities.
- Local entities should control spending in order to pay their obligations.
- Awareness and information campaigns to the public about importance to pay bills on time and encourage payment should be held.
- Local entities should review the previous debt collection policies they follow in case they are not proven helpful, and do not considerably reduce, and then close, the indebtedness.
- The government should have effective policies and protocols to convince local entities that run electricity projects to join the licensed electricity transmission companies as per laws, regulations and instructions. This is as per the satisfactory protocols to all parties to achieve the goals that guarantee improved electricity to the public and financial revenues to the local entities, by means of agreements that protect the rights of all parties.
- Ministry of Local Government should grant projects therefrom, or from Ministry of Finance, to local entities pay bills on monthly basis, which had their debts scheduled with Ministry of Finance.
- The committee on reconciling the net lending with local entities should process the differences between the payables recorded in local entities' lists and the payables balanced on these entities by Ministry of Finance for 2023.
- All local entities that did not schedule debts with Ministry of Finance should do that in order to ensure no increased debts, and to ensure receiving projects from Ministry of Local Government and Ministry of Finance.
- All local entities that provide water and electricity should open special accounts for revenues of each service, and should spend from these accounts for only the water and electricity-related expenditures, whether the expenditures of service prices or the development and sustainability of service.
- Members of local entities should pay the water and electricity bills on regular basis, so the members would be examples to follow by others.
- Government institutions should pay water and electricity bills on regular basis to local entities.
- Local entities should collect old water and electricity debts, by having procedures to encourage the public to pay and settle debts, such as discounts and payment facilities.
- Local entities should settle debts with joint service councils that provide waste collection service, in order to ensure the best service and cover their expenditures.

Response of entity

Ministry of Local Government did not respond to the report.

13. Jenin Municipality

The Bureau performed a financial audit of Jenin Municipality action for the fiscal year 2023. The audit included the financial affairs, management affairs and projects.

Best practices

- The Municipality had all of its revenues automated, in compliance with recommendation of the Bureau in previous reports.
- The municipal slaughterhouse has been developed, and equipped with all necessary needs.

Financial observations

- There is not procedures guide that explains the nature and duties of internal control unit. It was found that it does 'descriptive audit' of certain incidents, reviews financial transactions or documenting cycle and takes part in probe and procurement panels.
- The financial department did not make the financial statements (financial report) for fiscal years 2022 and 2023, contrary to provision of the local entities financial regulations of 2019, article (11).
- The Municipality did not close its main account balances (cashbox, banks) at end of fiscal year as per inventory minutes and reconciliations, which affects the credibility and accuracy of balances in the automated accounting system.
- The Municipality presented a 'revenues and expenditures' statement issued by the automated system 'Shamel', without the opening cash balances and equivalent cash (bank) balances. Thus, the report is not complete and not inclusive as per the cash basis followed to record financial transactions of the Municipality.
- The treasurer did not issue receipts at 37,300 NIS, but were recorded in the accounting system, contrary to the local entities financial regulations of 2019, article (34).
- Bank reconciliations were not made and balances were not reconciled at end of fiscal year 2023. Thus, cash balances at banks or cashbox are not included in the financial report 'statements of revenues and expenditures of 2023' the Municipality released.
- Poor planning and budgeting of 2023, which was evident by the actual budget implementing, where revenues less than the estimated (33%) were collected, whereas the actual expenditures exceeded the actual estimated by 34%.
- Water network losses in 2023 reached 58.5% as per the Municipality's data, which is very high. Reasons include the old network and water meters, besides thefts.
- The water department head does not have internal controls and procedures over the working expenditures (electricity consumption) of private water wells, and does not compare these with the bought water amounts.
- Revenues generated at the slaughterhouse and the dynamometer are not handed to the treasurer on daily basis.
- Debts on tenants who are not paying annual rents are not followed up, and legal action to collect due rents is not taken. Total amounts on tenants as at 31.12.2023 reached 1,164,001 Jordan dinars, contrary to the local entities law 1/997, article (27).
- The Municipality did not have the approval from local government minister for the exemption decision of central grocery market. This decision is not applied to all tenants, where it was found that there are many shops still working in the market.
- The Municipality did not update the waste fees' payers file in 'Shamel' system, by allocating the waste fees collection through electricity prepayment since 2010.
- The North Electricity Transmission Co. does not provide the Municipality with detailed statements of every subscription that has waste collection fees, so they would be carried over to the software and understate the value of payments. The Municipality is not provided with the new electricity subscriptions and subscribers.
- The Municipality did not issue fines against the violations to surface and floor percentages, in buildings that violated the percentage stated in the building and planning regulations.
- The financial statement of expenditures does not show the details of payrolls (bonuses, transport), where the Municipality showed its accounts in total amounts only, contrary to the presentation and disclosure principles.

- The Municipality did not introduce a pension fund for staff, in compliance with provisions of effective laws and regulations. Pensions are paid from the main municipal cashbox.
- The Municipality does not transfer deductions for staff electricity consumption to the North Electricity Transmission Co. due to financial crisis the Municipality has, in order to save funds for the monthly staff payments. This has increased the debts on Municipality to the Company.
- It was found that the amount mentioned in the accounts payable statement, set by the financial department on staff payment arrears, is not correct. Financial transactions regarding payrolls with arrears are not recorded in 'Shamel' accounting system the Municipality uses.
- Statement the Municipality released showed increased indebtedness at 2,416,161 NIS to the West Bank Water Department during 2023, a 7% increase from year start.
- The Municipality did not clearly process the accounts of joint solid waste management council, in terms of recording the financial transactions and incidents, and through the statement of payments and vouchers the council issued, and cheques duly paid.

Management observations

- The Municipality did not set job descriptions for all positions in organizational structure, which show powers, responsibilities, academic degrees and experience necessary to fill positions.
- Medical examinations are not performed and disease-free certificates are not presented each six months for staff of the municipal slaughterhouse, as well as individuals who slaughter livestock.
- The veterinarian does not present reports on periodic basis and whenever need arises to veterinary department at Jenin governor office, which state the number of slaughtered livestock, disposed livestock or parts therefrom, in order to strengthen the disease prevention.
- Butcher shops were not inspected in 2023, which leads to inability to control slaughtering outside the municipal slaughterhouse.
- The Municipality does not have a list of taxis that should have their fees paid on periodic basis at Jenin transport department.
- Car parks are not included in some urban plans, as per the sound engineering conditions and standards.
- The local planning committee issued a building license that violates organizational use in the structural plan of Jenin city. The committee issued the license for commercial building in a residential area (A).
- The Municipality does not deduct all staff health insurance fees, contrary to provisions of council of ministers decision 113/2004 on the government health insurance regulations.
- The Municipality does not keep assets register that includes all estates.
- The Municipality does not perform annual inventory of municipal warehouse and properties.
- It was found during an inventory the Bureau did for a sample at the warehouse there is mismatch between the book and actual balances for most of items in the inventory minutes.
- Most of items in the warehouse are not encoded and numbered, so each item has a number that matches the warehouse records in 'Shamel' software, for easy access to items.
- The municipal warehouse keeper is not issued a judicial surety bond.
- There are employees who are not present during hours, whether in the office or in the field, and do not use official forms for leaves, whether official or personal.
- There is no confirmation that field staff are observing official hours, in light of no internal control reports.
- Works permits have been issued to a number of buildings outside the municipal borders, taking into account that permits to buildings outside borders do not fall within powers of local planning committee (Municipality), but the regional planning committee of Ministry of Local

Government. This is contrary to the cities, villages and buildings planning law 79/1996, the local entities building and planning regulations 6/2011 with amendments and Ministry of Local Government instructions.

- The mayor violated the municipal council decision No.296, by granting works permit to buildings without permits that fall within the structural plan. The said decision is about buildings that fall outside the municipal borders.

Significant recommendations

- Procedure manuals and action plans for internal control unit should be set and approved.
- The Municipality should close the main account balances (cashbox, banks) at each fiscal year end with official inventory minutes.
- Financial reports should include the open-end of term cash balances of the fiscal year.
- Treasurers should be issued judicial surety bonds.
- Financial transactions should be recorded in the accounting system, and receipts should be issued upon receiving funds.
- Due professional care should be observed when planning the estimated budget, and academic basis should be followed by relying on accurate financial statements.
- There should be serious action in order to reduce water network losses, by inspecting the meters on periodic basis and taking effective measures against those who tamper with meters and violate the network.
- Revenues collected from the slaughterhouse and dynamometer should be handed to the treasurer on daily basis.
- Due debts on tenants who do not pay annual rents should be followed up, and legal action should be taken to collect the due rents.
- The Municipality should have the local government minister approval when granting exemptions from debts at the central grocery market to only the shops that did not do any business over the past years.
- Files of waste subscribers should be updated, and clear protocols should be set to update the database and new subscribers.
- The waste debts balance should be processed by scheduling the debts of payers in the electricity prepayment system, in cooperation with the North Electricity Transmission Co.
- The Municipality should issue fines against building that exceed the roof and floor percentages allowed in the local entities building and planning regulations of 2011.
- The financial statement of expenditures should show details of payrolls (bonuses, transport), where the Municipality expressed it accounts in only total amounts.
- The Municipality should introduce a pension fund for staff in compliance with effective laws and regulations.
- The Municipality should transfer the staff electricity consumption deductions to the North Electricity Transmission Co.
- Due professional care should be observed when the financial department prepares the debt lists of payrolls, and should carefully record the non-financial transactions in the accounting system.
- Value of payrolls and arrears from the automated payroll system should be approved and carefully reflected in the accounting system, in order to show what each employee is paid and what they are entitled to.
- The Municipality should address the indebtedness of West Bank Water Authority, old debts should be scheduled and the Municipality should pay recent bills.

- Accounts of the joint service council should be accurately made to show actual value as per the cash basis the Municipality follows to manage accounts, and should be supported by lists that show the cheques issued to the council, whether deferred or bounced.
- Job descriptions for positions in the organizational structure should be set.
- Staff at the slaughterhouse should be required to undergo periodic medical examinations and present disease-free certificates each six month at the Municipality's expense.
- Reports should be presented to the veterinary department at Jenin governor office on periodic basis and whenever need arises, which should describe the numbers of slaughtered livestock, disposed livestock or parts therefrom, in order to strengthen the disease prevention.
- The health department at the Municipality should have approved programs about inspection rounds to butcher shops and frozen meat shops. Details should be mentioned in the veterinary or meat inspector reports, which should explain the butcher shops visited or violations caught, with name of shop and type of violation.
- List of vehicles that did not have their fees collected due to breakdown, sale or any other reason should be approved by officer in charge of the garage control, in compliance with the agreement signed between the Municipality and the Palestinian General Federation of Trade Unions, article (7).
- The Municipality should have a list of taxis in public transport stops on periodic basis, which should have their fees collected through Jenin transport department.
- The Municipality should not issue building licenses that violate the structural use within planning areas, as per provisions of the planning charts approved by the committee in charge, and the local entities building and planning regulations of 2011, article (23).
- Car parks should be designated in engineering plans as per sound engineering conditions and standards, in compliance with the local entities building and planning regulations of 2011, articles (24, 25, 26).
- The Municipality should deduct the entire health insurance fees from staff payments, and the Municipality should not have any contributions into these fees.
- The estates log should include all of the Municipality's properties, and periodic inventories should performed by a committee formed to that end.
- All items in the municipal warehouses should be encoded and numbered. The warehouse keeper should be issued a judicial surety bond as per principles.
- The municipal council should hold adequate meetings on periodic basis (at least one meeting a week) as per law.
- Office hours of staff should be established with controllers' reports, and the internal control function in this regard should be operational.
- Legal action should be taken against staff who do not comply with or evade office hours.
- The municipal council, the mayor and the local planning committee should comply with the urban and rural planning and building law 79/1966 and instructions of Ministry of Local Government regarding the works permits for buildings outside municipal borders. They should comply with law 6/2011, amendments and instructions of Ministry of Local Government regarding works permits for buildings inside municipal borders.

Response of entity

The Municipality responded to the preliminary report. The Municipality expressed keenness to enforce the recommendations.

14. as-Sura Village Council, Hebron district

The Bureau audited the compliance of as-Sura Village Council for the fiscal year 2023. The audit included the financial affairs and management affairs for that year.

Best practices

- There are approved estimated budgets, which shows the projected revenues and expenditures.
- There is documenting cycle of all financial transactions, which records and documents financial information on regular basis.

Financial observations

- There is not a record for the waste fee revenues collected from payers, where these are collected with the prepayment meters by the South Electricity Transmission Co., without evidence they have been generated in the financial department of the council.
- No fees generated from the waste removal service with the regular electricity meters (bills) in the accounting system.
- Monthly collection reports are not requested from the electricity company, where the latter pays the council for waste collections with cheques without transferring the collections from subscribers.
- The council wrote to the South Electricity Transmission Co. in order to stop collecting the waste fees with the electricity prepayments for some subscribers, without a justified request to stop the fees, and without deciding the standards or cases to receive exemption by the council. The Company also stopped collecting the waste fees from some subscribers without official letters from the council.
- The Company cancelled old debts for some subscribers without official letter from the council to cancel or freeze the debts.
- The council distributed 16 waste containers in 2023 without collecting the fees in exchange, where the 16 names included council members.
- The agreement for leasing part of the council building did not mention water and electricity expense of the first floor (medical center), where the council is paying these expenditures, especially the center has equipment and air conditioning.
- The committee formed to collect contributions for paving ar-Risan Street printed out receipts without having the Ministry of Local Government approval, and without taking necessary action (council decision to have printed vouchers, official letter to the printing press that defines form, content and number of vouchers). These vouchers are not part of the financial officer’s custody.
- The council paid amounts that do not have allocations in the approved budget.
- The spending for some items involved violations, where they exceeded the amounts allocated in the budget approved in 2023 by the local government ministers.
- The financial committee of the council paid amounts with vouchers despite no adequate supporting documents.
- The council does not have receipt committees that receive and check the agreement of procurements with specifications, contrary to the public procurement law of 2014, article (68).
- The council paid amounts not part of spending items stated in the local entities financial regulations.
- The council does not have annual or executive plans, or standards that describe priorities of selecting the streets to be constructed, with reasons of selection.
- The council does not have a box for bids. Price offers, deadlines to receive offers or date of opening are not specified.

- Records of receipts, cheques, fixed assets, immovable assets and archived copy of these documents are not kept.
- There is an exceeding difference in the concrete amounts bought for the roundabout edges, as stated in procurement vouchers against what has actually been measured by the engineering team.
- Increased debts on the council at 142,963 NIS as at 23.09.2024 were observed. The piling bills for waste collection and removal are not paid to the joint service council.

Management observations

- The council paid amounts not part of spending items specified in regulating provisions. A data entry officer has been hired on day-to-day contract at the Ministry of Health infirmary, and is paid monthly from the council's fund.
- Ministry of Health did not officially write to the council regarding needs of the infirmary (data entry officer) and monthly payment thereto from the council, where the latter kept paying her for more than one year.
- The council does not do strategic and annual planning, and does not make annual progress reports.
- The council does not keep asset logs, which show the assets, estates and all transactions made (admission, discharge) as per forms.
- The council did not hold the minimum number of meetings. Only 29 meetings were held during 2023.
- No employee has been assigned with storekeeping or the receipt committee to admit or hand material or supplies.

Significant recommendations

- Waste collections should be recorded and generated at the year start as annual fees, and should be deducted off the debts of waste service payers if collected by the electricity company or the council.
- Fee collections should be requested from the Southern Electricity Transmission Co., and should be deducted off the payers' annual bills.
- The suspension or cancellation of fees without legal evidence should be justified. Furthermore, the Company should justify the cancellation of debts without official letters issued by the council to the Company.
- Fees should be recorded in the council's records, and the Company's database should not be relied on solely in order to avoid financial misstatements.
- The council should not print out the records or documents related to the council without taking the necessary measures, including a decision by the council and approval from the Ministry of Local Government, by virtue of an official letter to the Ministry specifying the purpose of printing, number of copies and name of the printing press.
- The amounts allocated in the approved budget should be complied with and not exceeded. Prior consent should be obtained from Ministry of Local Government for expenditures to be paid through carryovers or budget annexes, as per principles.
- The council should demand and recover 600 NIS from 'Takwenat' engineering office, including 400 NIS to the council fund, paid without evidence that the office was supervising another project, and 200 NIS for the Treasury (5% of total amount), due to failure to present a source deduction certificate.

- The council should form receipt committees of council members, separate from the procurement and the finance committees. Receipts should be prepared for each procurement, duly signed and attached to the procurement vouchers before the procurement is done.
- The council should stop paying for items that do not fall within the council's powers and spending items.
- The council should prepare its annual procurement plan for supplies and works before the fiscal year start, together with preparing its annual budget. It should also establish detailed project selection standards and a timetable for implementing.
- The council should provide a special bids box with at least two keys. The box should not be opened until the bid opening date is stated in the announcement or bid booklet.
- The procurement committee should specify the final bid receipt date and the opening date in the bid booklet.
- Records should be maintained for the receipts, cheques and fixed assets registers. Documents should be digitally archived.
- Materials or supplies should not be procured in the council's name without having prior consent from the procurement committee assigned by the council, based on a duly filled in needs form. The financial allocation for any procurement should be reviewed, and all legal procedures should be followed before the procurement.
- The council should properly perform and record inventory of all account receivables owed by the council to suppliers and contractors.
- The council's dues should be paid according to available financial allocations, particularly for working activities such as water, electricity and waste. These should be given priority in payment.
- The council should terminate the employment contract with Ms. Amira Doudin, as it is based on council decision No. (98), which links the reason for her employment and termination with the end of the nursing union's strike at the Ministry of Health.
- The council should not hire for positions in government institutions, especially in the absence of an official letter from Ministry of Health indicating its need for employment.
- The council should prepare a strategic development plan that defines its vision, objectives and priority matters in accordance with needs of the village, in partnership with local community.
- The council should maintain special asset records, which detail the assets and properties, as well as all transactions made in and out of the council, as per relevant forms.
- Due to the lack of staff, the council should assign one of its members with the warehouse keeper duties in accordance with regulations. The keeper should be responsible before the council for the materials, tools and supplies received, and should be entrusted with keys to the warehouse in particular.

Response of entity

The council responded to the preliminary report. The council expressed keenness to enforce the recommendations.

15. Kafr Aqab Municipality, Jerusalem district

The Bureau audited the financial and management action of Kafr Aqab Municipality for the fiscal year 2023.

Best practices

- Ministry of Local Government approved the municipal budget of 2024.

- There is documenting cycle of all financial transactions, which records and documents financial information on regular basis.

Financial observations

- The treasurer is not issued a judicial surety bond that suits the received amounts.
- The Municipality does not impose and collect any billboard fees from commercial stores.
- The Municipality paid advances to staff that exceed two-month payments, contrary to the local entities financial regulations 11/2019, article (58).
- The Municipality paid 3,000 NIS in rewards to some employees without regulations on rewards and incentives.
- The Municipality did not deduct 10% of rewards paid to staff as income tax.
- The Municipality pays for overtime work to staff in amounts that exceed quarter of payment, contrary to council of ministers decision 1/2009, article (9) on local entities staff regulations with amendments.
- The Municipality did not deduct health insurance fees from some of its employees.
- The good implementing guarantee for the Kafr Aqab playground 'grassing' project was not extended from March 1st – July 14th 2024.

Management observations

- There are not approved procedure manuals for all of the Municipality's action and departments, which define details and protocols of action in compliance with laws, regulations and instructions of entities in charge.
- There is not an organizational structure approved by the Municipality and Ministry of Local Government, which includes job description of all positions.
- The municipal council held 20 meetings during 2023, contrary to the local entities law of 1997, article (8.1) which states that at least one meeting per week shall be held.
- Staff performance is not evaluated on periodic basis, staff are not informed of their score and copies of evaluations are not kept in staff files. There are not incentives for excellent performance and avoiding weaknesses, contrary to regulations.
- A number of staff below fifty are not enrolled in the Pensions Authority, contrary to the general pension law 7/2005, article (2).
- Content of warehouse are not arranged in organized fashion, which facilitates access to material and helps inventory.
- Both the Municipality's engineer and accountant participate in the opening and evaluation committees of bids. The engineer also takes part in receipt committees, besides supervising and receiving the projects, contrary to council of ministers decision 5/2014, article (165.2) on the public procurement regulations.
- The Municipality did not document the quotes evaluations, where they are only mentioned in the technical evaluation report, contrary to council of ministers decision 5/2014, article (61.4) on the public procurement regulations regarding the evaluation of quotes.
- The contracted parties to undertake projects for the Municipality did not comply with the agreed term. The Municipality did not impose delay fine thereto, contrary to council of ministers decision 5/2014 on the public procurement regulations.
- Files of project are not arranged and organized for easily accessible manner to documents of the undertaken projects.

Significant recommendations

- An internal control unit should be instated in the Municipality, or a committee of Municipality members to oversee municipal activities and present periodic reports to the municipal council.

- Procedure manuals should be set for all municipal activities, consistent with all applicable laws and regulations in local authorities.
- An organizational structure approved by the Municipality and Ministry of Local Government should be in place, which should include job descriptions for all positions in the Municipality.
- A budget should be prepared one month before the fiscal year start, in compliance with the local entities financial regulations.
- The Municipality's treasurer should be issued a judicial surety bond that suits the amounts received.
- The Municipality should collect dues from payers.
- The Municipality should collect billboard fees from commercial businesses and advertising companies, in accordance with the 2009 billboards and advertisements regulations.
- The Municipality should pay financial advances to employees in accordance with the local entities financial regulations.
- The Municipality should have special regulations for rewards and incentives granted to employees, in accordance with provisions of local entities staff instructions for 2020, article (31).
- The Municipality should deduct 10% off the rewards paid to staff as income tax.
- The Municipality should ensure that the value of overtime paid to staff should not exceed 25% of total salary, in accordance with provisions of the cabinet resolution 1/2009 on local entities staff regulations and amendments, article (9).
- The Municipality should deduct health insurance premium from its entire staff, in accordance with provisions the local entities staff regulations of 2009 and amendments, article (42).
- The municipal council should hold at least one meeting per week, in accordance with the local entities law of 1997, article (8.1).
- Annual staff evaluation should be made, based on which the excellent staff are rewarded and weaknesses in others would be avoided.
- Provisions of the general retirement law and the signed agreement regarding the enrollment of all municipal staff eligible for retirement should be complied with, as well as provisions of the local entities staff regulations 1/2009, article (43).
- Content of the warehouse should be arranged in a manner that facilitates inventories and ensures complete knowledge of content.
- Duties of different committee members should be separate, and specialty and professionalism should be taken into consideration.
- An estimated cost for all projects implemented by the Municipality through specialized committees should be set, and should be documented in the project file.
- The timeframe agreed upon signing the contract should be complied with. The work progress should be supervised and monitored on periodic basis.
- Receipt committees should be formed in accordance with the public procurement law and regulations.
- Suppliers or contractors should be required to have the tax vouchers that exceed 10,000 NIS certified by VAT department, and should be attached to financial transactions.
- The council should monitor the contractors who are implementing projects, should manage the bid and project files and should archive them in an easily accessible manner.

Response of entity

The Municipality did not respond to the preliminary report.

Works & Achievements of departments & units

Legal affairs & public complaints follow-up department

The department is an audit department of special nature due to actions and authorities performed, based on provisions and amendments law 15/2004 of the Bureau, besides tasks vested based on organizational structure.

Follow-up of complaints & other duties

The department follows up the complaints the citizens file about mismanagement in the government and other audited entities, as stated in Article 31 of SAACB Law. The department also presents recommendations to refer significant irregularities to the Public Prosecution at the Anti-corruption Commission, which conducts the necessary investigations. The legal review sub-department reviews the audit reports released by other departments, so reports are reviewed and legally adapted. The legal studies and consultations sub-department gives the audit work momentum and strength, so the audit findings would be of high quality and makes a difference in the lives of citizens, in line with international standards.

The department reviews and checks the audit reports through participation in the review committee, which looks into reports made by other departments, in order to verify that audit findings are in compliance with law, in terms of legal adaptation of irregularity, and supporting them with legal articles and recommendations consistent with the law, to take the necessary legal action.

Below is summary of the department actions:

1. Written exam of the trainee lawyers

The Bureau has been present in the observer capacity at the written exam for trainee lawyers (April 2024 session), upon request from Palestine Bar Association. A report was made, and the Association was notified with the most important observations and relevant recommendations.

2. Audit reports reviewing

The department took part in the audit reports reviewing committee, where reports the audit department made have been reviewed in terms of legal adapting and compliance by audited entities.

3. Committees

The department was present at 14 internal and external committee.

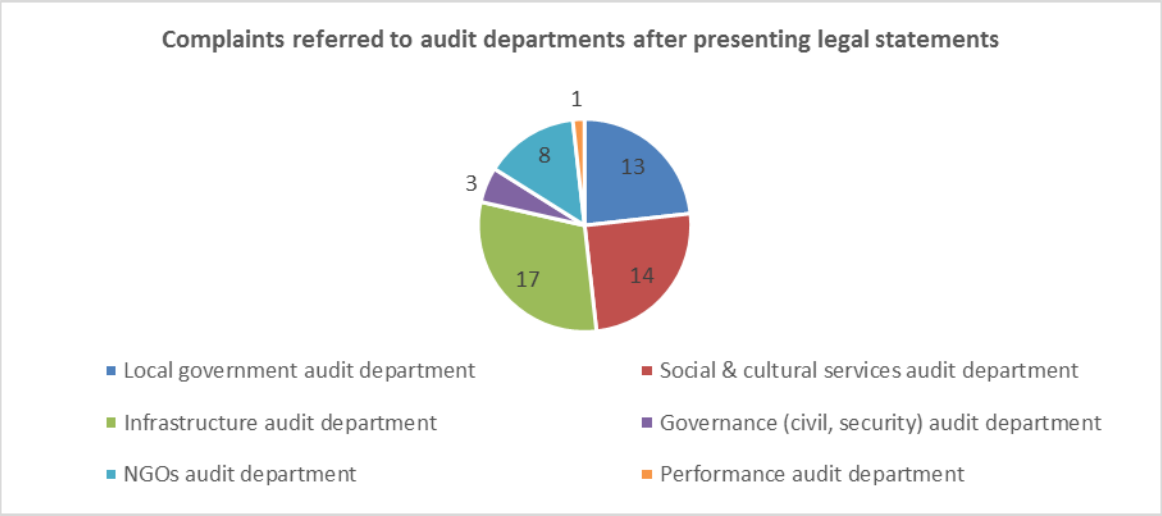
4. Conferences, meetings, workshops

The department participated in 11 internal and external conferences, meetings and workshops.

5. Complaints

The number of complaints the Department received in 2024 reached 236. The complaints have been followed up as below:

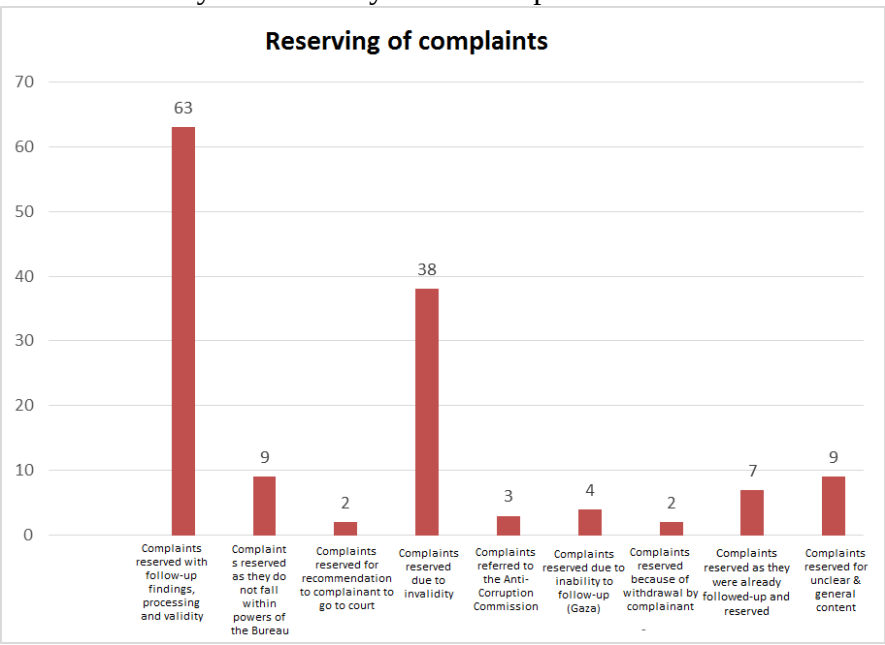
1. The followed up Department 228 complaints.
2. 56 complaints were referred to audit departments in question after presenting legal statements thereto. Diagram below shows distribution of complaints over audit departments:



A. Complaints follow-up findings:

137 complaints were actually processed, and findings were as below:

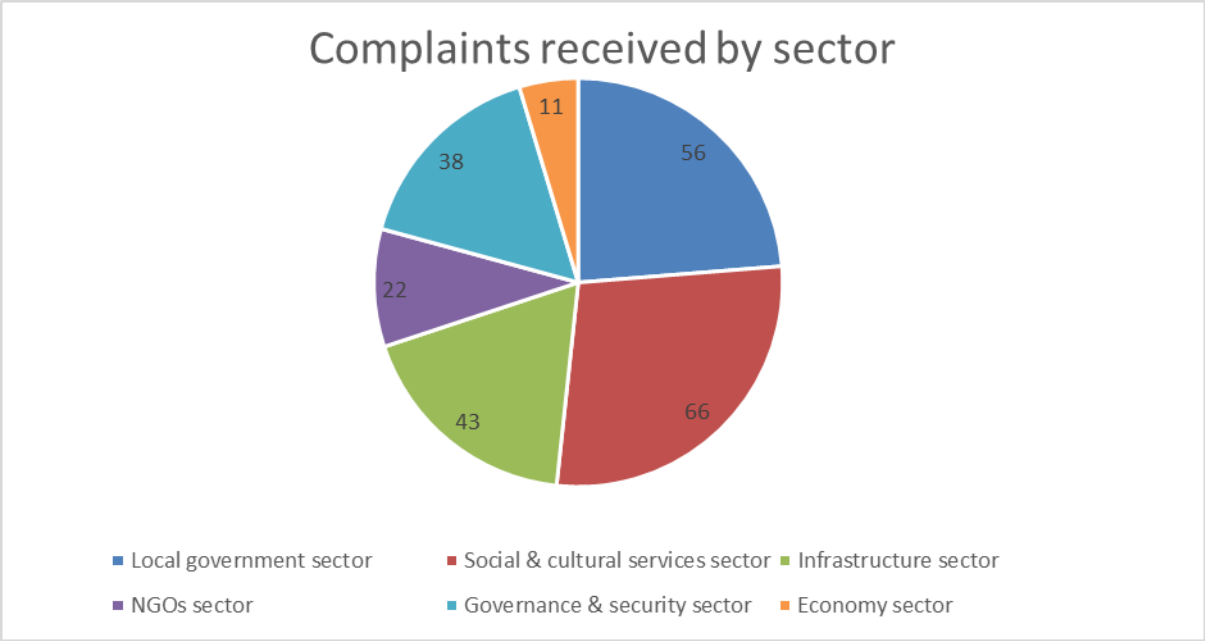
1. Complaints reserved with follow-up findings, processing and validity: 63
2. Complaints reserved due to invalidity: 38
3. Complaints reserved for relevance with a court dispute, whether being reviewed at court or recommendation to complainant to go to court being a legal dispute: 2
4. Complaints reserved as they do not fall within powers of the Bureau: 9
5. Complaints referred to the Anti-Corruption Commission: 3
6. Complaints reserved for unclear and general content: 9
7. Complaints reserved because of withdrawal by complainant: 2
8. Complaints reserved due to inability to follow-up (Gaza): 4
9. Complaints reserved as they were already followed-up and reserved: 7



B. Entities complained against by audit sectors in the Bureau

It was found, regarding the number of complaints filed against each entity, that the highest percentage of complaints the department received in 2024 were against:

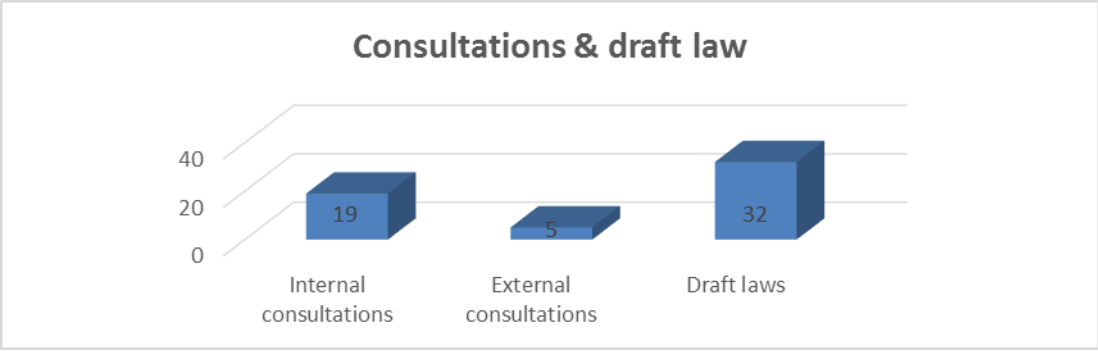
1. Local government entities audit sector (56 complaints).
2. Social and cultural services audit sector (66 complaints).
3. Infrastructure audit sector (43 complaints).
4. NGOs audit sector (22 complaints).
5. Governance 'civil, security' audit sector (38 complaints).
6. Economy audit sector (11 complaints).



Consultations received by the department

The number of legal consultations received in 2024 reached 24. Legal opinion was expressed, and they are distributed as follows:

- Draft laws and regulations, council of ministers general secretariat: 32
- Internal consultations, audit and supporting departments: 19
- External consultations, audited entities: 5



Financial & management affairs department

The department is one of the main supporting departments. It provides the necessary support for an appropriate audit work environment. Tasks of the department are divided between three sub-departments, which work in perfect harmony to fulfill the vision and mission of the Bureau. Tasks include efficient logistical support for the audit work and various needs of institutional work, in accordance with the effective laws, regulations and instructions.

The department contributes in preparing the Bureau's annual budget and following up the enforcement of its provisions, in addition to follow up the staff affairs (promotions, appointments, etc.). It also fulfills the various needs of the Bureau and staff. Moreover, it manages and maintains the Bureau's assets and participates in various committees formed the auditor general.

1. Financial Resources

The Bureau is keen to provide the necessary financial resources that help implement tasks, works and powers entrusted in accordance with the law. The Bureau kept spending at minimum during 2024 in accordance with the austerity policy of the government. The Bureau sets policies and takes all measures necessary to provide basic requirements to that end. The budget is the digital interpreting of the annual plan, which guides the Bureau upon fulfilment of responsibilities and powers, eventually making the set goals happen. The budget is divided into two parts, the current and the development budgets.

Current budget

The financial crisis, brought by the Israeli occupation' withholding of clearance funds, continued and exacerbated in 2024 more than the previous years due to policies and practices of the Israeli occupation. All of which was reflected in failure to release the necessary financial allocations 'orders' and cash transfers, especially the capital expenditures from approved budget items, besides insufficient cash transfers from the Ministry of Finance to the zero–based account of the Bureau. This affected the fulfillment of the Bureau's obligations towards suppliers and beneficiaries.

Despite the above about the present financial situation, applicable and followed by Ministry of Finance, payments to suppliers and beneficiaries continued. Priority was given to reduce due liabilities and previous arrears on the Bureau, so the remaining percentage of approved arrears are only 3%, compared to the previous year with remaining liabilities of no more than 10%.

Value of the Bureau' approved current budget for 2024 reached 12,995,100 NIS. It included two programs: the administrative program (28% of the approved budget), and the control program (48% of the approved budget). Meanwhile, the 'undistributed employees' item in the 'Gaza employees' salaries' programs formed 24%. Below is a statement explaining how the Bureau's budget for 2024 was executed:

Spending item	Approved Budget	Paid expenditures	Due expenditures	Total expenditures	% of implementing
Salaries and wages	11899518	11706936	0	11706936	**98%**
Official duties	225000	146503	11206	157709	**70%**
Specific working expenditures	531694	117958	258338	376296	**71%**
Other working expenditures	152708	81897	102575	184472	**120%**
Fixed assets	35000	0	0	0	**0%**
Inventory	151180	0	0	0	**0%**
Total	**12,995,100**	**12,053,294**	**372,119**	**12,425,413**	**96%**

Based on the table above, the following observations were made:

- ❖ The responsibility of the Financial Department is to prepare and present financial statements and reports to the Bureau's top management, so they can take appropriate decisions.
- ❖ The accrual basis of accounting for working processes was used in preparing the financial report of the Bureau, in order to provide a comprehensive statement of the financial Bureau's position in a fair and transparent manner.
- ❖ The total percentage of budget execution does not represent some of its items. This is due to the big share of payrolls in the total budget, where percentage of those items' execution, after subtracting all expenditures including the unpaid and due obligations in the Bureau, reached the following:
  - Official travels: 70%
  - Working expenditures: specific (71%), other (120%)
  - Capital expenditures: fixed assets (0%), inventory (0%)
- ❖ The percentage of budget exhaustion for the year 2024, based on total expenditures as at December 31, 2024, is 96%, salaries included.

2. Human Resources

The Department regulates the human resources affairs. It provides services and facilities in accordance with the applicable laws and regulations, follows up employment files, makes any changes to staff files (procedures for office hours, leaves and days off of all kinds), enters them into the designated software, in a way that provides easy access when needed, and presents reports upon request regarding staff official hours. The number of staff, as at December 31, 2024, reached 133 employees, distributed as below:

Department / Unit	Number of Employees
Auditor General office	6
Internal Control Unit	3
Planning, Development & Capacity Development Unit	4
Public Relations Unit	5
Director General	3
Economy audit department	13
Infrastructure audit department	10
Governance (Civil , Security) audit department	11
Social & Cultural Services audit department	8
Performance audit department	10
Local Government Units audit department	13
NGOs audit department	9
Information Technology & Technical Support department	4
Legal Affairs and Public Complaints department	6
Financial & Administrative Affairs department	27
Consultants and Experts	1
Total	**133**

Table below shows the number and distribution of staff members by gender during 2024:

Gender	No.
Female	36
Male	97
Total	**133**

Planning, Development & Capacity Development Unit

Strategic Plan (2022 - 2026)

This plan comes to finish what the previous strategic plans started under the motto '**Making a difference to lives of citizens**', out of belief that the Palestinian citizens are top priority. This plan is based on the national policies agenda '**Citizen First**' (2017 - 2022), the national development plan 'resistance, disengagement and cluster development towards independence' (2021 - 2023) and the national cross-sector strategy to enhance transparency and corruption fighting (2020 - 2022), in a time when there is accelerating development in all levels, especially the audit. The Bureau is looking forward at enhancing accountability, transparency and integrity in the public sector performance by implementing its strategic plan in the medium term, as development is accelerating at all levels, especially audits. The latter intend to guarantee that the government is held accountable for financial resources management and use to improve service to citizens, empower decision makers to help respond to audit findings with suitable corrective action and publish audit findings for public viewing, so they could hold public entities accountable and enhance the grassroots control.

Thus, our directions have been set and strategic goals have been identified in order to respond to all existing and possible challenges, mainly the SDGs audit, emerging issues related to disasters and crisis and quality of service to citizens. All planned actions and interventions will be directed to be more influential at levels of the Bureau, auditors and stakeholders. We are keen to have the Bureau as an example to follow in SAIs community, and to remain so we need to improve our mode of operation constantly, take decisions and match our available resources to concrete needs and expectations of all of our partners.

This plan has been set under challenging and complex contexts due to the negative implications of COVID-19 pandemic (influence mostly ended) on SAIs performance and action sustainability, besides other challenges such the ongoing war with all its fallouts. This plan has arrived in light of many difficulties and challenges, and amidst attempts to find solutions for many operations the Bureau and audits in general face, especially regarding crisis, disasters and emerging issues. We are trying to have solid SAI that performs tasks entrusted as per mandate, by ensuring that regulations and actions necessary to guarantee goals achievements are set, and that the public funds of the Palestinian people are only used for designated purposes.

The Bureau is trying to push the influence making in today's world that we are part of, and this would be done by:

- Helping the government and the state to improve performance,
- Enhancing the transparency,
- Guaranteeing the accountability,
- Maintaining the credibility,
- Helping the corruption fighting,
- Raising the trust of citizens,
- Establishing the effective and efficient use of public resources for the public good,
- Having significant contribution to implementing the 2030 plan and realize SDGs

Vision

Typical institution that helps making a difference to lives of citizens.

Mission

Effective audit over resources & services to ensure soundness of financial & management performance of audited entities, & present professional reports & opinion to stakeholders.

Audit priorities plan (2024)

Audit priorities of the Bureau involve:

- General priorities
- Priorities as per audit form
- Financial audit
- Compliance audit
- Performance audit

The Bureau presents an audit report each year to Mr. President, Legislative Council and the council of ministers about financial statements of the State of Palestine, besides an annual report that thoroughly explains audit tasks and mandate the Bureau performed across the previous year. The report includes significant findings of audits (financial, compliance, performance), with issues that involve corruption suspicions and actions taken. The report includes the most important key recommendations that help performance improvement, recommendations follow-up findings and responses from audited entities to reports of the Bureau.

The audit priorities plan includes the audit topics evolution in order to make a difference to lives of citizens through:

1. Pre-planning of audit priorities in line with the strategic plan.
2. Involve all departments and units of the Bureau in determining audit priorities.
3. Identify performance audits portfolio.
4. Determine and document materiality beforehand.

Annual Plan for 2024

95 audit reports were released based on the annual audit plan for 2024 (financial '44%', compliance '49%', performance '7%'). Following the selection of entities according to standards above, several meetings were held with officials at audit departments and top management to discuss reasons/processes of selection, risks and internal environment analysis of action to be audited. Topics, entities or forms of audit associated with each action to be performed in 2024 were approved.

Progress of annual Plan for 2024

The audit working plan for 2024 has been finished by releasing 95 out of the 119 audit reports approved in the working plan for 2024.

Training & capacity building

The progress report at training and capacity building level for 2024 shows the following findings:

Internal control units training project, financed by UNDP

Activities of the project were finished at the Palestinian ministries and institutions, which UNDP financed and executed during 2024 across three phases:

1. Phase I: 19 institutions

2. Phase II: 28 institutions
3. Phase III: 18 institutions

Approximately 115 staff members at internal control units benefited from this training.

Categories of missions (by type)

A number of staff members were assigned with tasks, 23 abroad, 10 online and 15 local, as shown in table below with type of each:

Activity	Abroad	Local	Online	Total	%
Training course	*7*	*7*	*4*	*18*	*38%*
Workshop	*5*	*4*		*9*	*19%*
Conference	*1*	*1*		*2*	*4%*
Meeting	*5*		*5*	*10*	*21%*
Seminar, discussion session	*2*			*2*	*4%*
Work mission	*1*			*1*	*2%*
Training	*2*	*3*	*1*	*6*	*12%*
Total	*23*	*15*	*10*	*48*	*100%*

Distribution of action (entity type)

Table below shows distribution of actions by entity:

Entities Classification	No.
Palestine Public Finance Institute	2
Palestinian National School for Administration	3
Anti Corruption Commission	1
UNDP project	3
International / regional organizations , counterpart SAIs	29
IDI	7
Ministry of Telecommunication	3
Total	48

Public Relations Unit

The unit handles the relations at the international level, which include international organizations/entities and counterpart SAIs.

Relations with counterpart SAIs

The Bureau intends to strengthen its relationship with counterpart SAIs and start new relations, with the aim of enhancing knowledge and exchange of experience, as follows:

Swedish National Audit Office

The Bureau resumed the talks with the Swedish National Audit Office regarding the components of the new phase of cooperation. It has been agreed that the next phase will focus on two components; the first is implementing the new ISSAI 140, and the second is the integration of information technology audit and data analytics into the financial audit. A number of meetings between the two parties will be held during 2025 in order to agree upon the future action methods.

Dutch Court of Accounts

The Bureau is part of the 'Sharaka' project, phase II (2022-2026) in cooperation with the Dutch Court of Accounts and with support from the Dutch Ministry of Foreign Affairs. Phase II includes a number of SAIs in the region, such as Algeria, Iraq, Jordan, Libya, Morocco, Palestine, Sudan and Tunisia. The program concentrates on SDG 6 'Clean Water & Hygiene'. Team of the Bureau made a report about '**Effectiveness of stakeholders upon reducing the untreated wastewater & increasing the recycling & safe use**', in line with the government's strategy to audit the national SDGs enforcement, and disclose risk that might hinder the government's effective work to have them implemented. The Bureau expects that the report helps provide a full picture about action taken by all stakeholders to reduce wastewater and increase the recycling, besides action intended for safe use of this water, in order to identify the existing problems and risk with their causes. It will also help present effective recommendations to help decision makers set policies with direct influence on wastewater management and safe use of recycled water, which is reflected in capacity of stakeholders in this field.

Office of the Auditor General of Norway

This component intends to strengthen the information technology audit capacity by sharing the guidelines about IT audit and incorporating IT staff of the Bureau into the 'IT Champions' program, held by AFROSAI-E and Office of the Auditor General of Norway.

This program intends to present how to use the best practices of SQL databases, cyber security with relevant audits, the difference between the audit of information systems and information security and an introduction to methods the hackers use to steal passwords (or encoded forms) to hack into and control Windows.

The program also concentrates on how to simulate these methods in virtual work environment, where the best policies that audited entities should follow to protect passwords have been discussed.

The Bureau took part in the 'IT Champions' training program in 2024, held November and December in South Africa, and organized by AFROSAI-E and Office of the Auditor General of Norway.

The Bureau participated in several ARABOSAI activities, including meetings of specialized committees and workshops, which in total intend to strengthen the audit work. The contributions were as follows:

1. The Bureau was appointed an external auditor for the ARABOSAI for three years.
2. The Bureau is a member of the regional quality assurance review team of the ARABOSAI.
3. The Bureau is a member of a special team to prepare a unified proposal to develop a database on capacity development areas in the ARABOSAI.
4. The Bureau is a member of officials' team on the ARABOSAI learning management systems.
5. The Bureau is a member of the regional reporting team on performance measurement of the ARABOSAI members.
6. The Bureau is a member of the regional team on the academic material for the human resources management program.

Membership of the Bureau in regional committees

1. Institutional Capacity Development Committee, chaired by SAI of Saudi Arabia.
2. The Strategic Planning Committee, chaired by SAI of Iraq.
3. The Professional Standards Committee, chaired by SAI of Egypt.
4. The SDGs Audit Committee, chaired by SAI of Morocco.
5. Committee of the Financial Audit Journal, chaired by ARABOSAI general secretariat, Tunisia.
6. Information Technology Audit Committee, chaired by SAI of Qatar.

ASOSAI

The 16th ASOSAI Assembly, the 9th ASOSAI Symposium

Invited by the ASOSAI secretariat general, auditor general and delegation of the Bureau participated in meetings of the ASOSAI Assembly, held September 23-27, 2024 in New Delhi.

The meeting discussed the importance of strengthening the digital infrastructure, the role of SAIs by auditing the digital data, gender divide in governments, partnership, independence, knowledge exchange, mutual support, professional development and sustainable development of SAIs community. These themes are meant to maintain independence from governments, work more comprehensively for the public good and hold governments and public institutions accountable for their performance and use of public resources.

International organizations & donors

The Bureau has extensive relations network with international donors and organizations. Most of meetings focused on the government achievements within policies reform framework regarding the public funds management, in addition to the strengthening of transparency and integrity in the audited entities.

The World Bank

The Bureau is auditing the **Public Funds Management Improvement Project (PFMIP PH II)** in accordance with ISSAIs in terms of financial and compliance audit, based on memorandum of understanding approved by the World Bank and memorandum of understanding signed 2018 with the World Bank and Ministry of Finance. The final report was out, which includes the Bureau's opinion on the financial statements issued by Ministry of Finance for the fiscal years 2022 and 2023 for the **Public Funds Management Improvement Project (PFMIP PH II).** The

Bureau is also key partner in the WB-financed 'Public Funds Management Improvement Project', which is financing the hire of two experienced auditors as part of the Bureau's staff to audit the financial statements.

Joint Financing Agreement for the Education & Higher Education Plan

The Bureau is responsible for carrying out financial audits and compliance audits each year for the Education Sector Strategic Plan (2014-2019), as per tasks and mandate entrusted by law. To that end, the Bureau contracted with an international audit firm as stated in Joint Finance Arrangements (JFA), articles 58-61, to audit the plan. The Bureau supervises the audit, monitors the contracting conditions and reviews audit procedures/file in all phases (planning, implementing, reporting).

Relationship with the media (the fourth power)

The information division circulates the news and information in action of the Bureau to the public, by using the different traditional and new channels. The division is raising awareness of individuals and audited entities in importance of the Bureau, and the principles of transparency and integrity.

Publishing the audit reports

The information division published the following audit reports on the Bureau's website:

1. Effectiveness of the stakeholders' action upon providing care and protection to the abused women.
2. Effectiveness of Jerusalem Water undertaking action to reduce water loss.
3. Annual report of the Bureau, 2023.

Local relations

The 'integrated roles for corruption prevention and fighting' conference

Under patronage of Mr. President of Palestine Mahmoud Abbas, the Bureau, in cooperation with Anti Corruption Commission, organized a conference about integrated roles for corruption prevention and fighting. The conference involved a dialogue between experts and specialists from different sectors, in order to consolidate the procedures and coordinate the roles for more transparent government action, and effective corruption fighting. The conference also discussed developing joint audit protocols to disclose and prevent corruption, which would help improve the efficiency of the government institutions and enhance the public trust therein.

The conference' three sessions included twelve work papers, which discussed relevant issues and presented many recommendations that would support the integrated role between all official and civil institutions in order to prevent and fight the corruption.

Translation

The translation department translates documents and audit reports. It processed 142 documents, including 'Sharaka' program (9), Swedish National Audit Office (6), ASOSAI (20) and INTOSAI (3).

Internal control Unit

The Internal Control Unit strives to preserve public funds and assets, and to ensure that their use is directed in accordance with the objectives set for the Bureau, the relevant legislative frameworks and international standards, which enable the performance of duty professionally. Role of the unit is important in assisting decision makers to improve financial and administrative performance, by highlighting weaknesses and improvement opportunities to remedy and ensure optimal use of resources. The unit also helps the senior management in drawing the appropriate plans and policies based on their recommendations. The unit provides reasonable assurances to senior management in the Bureau about the effectiveness of arrangements in place, control and the extent of compliance with the generally accepted standards and provisions of effective laws, ensure the integrity of administrative procedures/transactions and audit financial operations of the Bureau.

The unit provides descriptive and analytical database, which reflects the size and nature of its work, and provides senior management with an idea of general situation of the Bureau during the past year, in order to help assessing the work situation and ways to develop the Bureau, to achieve its specific goals in accordance with plans and policies. In addition, the unit looks into the compliance with laws, regulations, instructions and internal/external regulations, as well as ensuring maximum use of time and money (efficiency, effectiveness, economy), and providing the auditor general with information and data on what is happening on the ground for the purposes of control, remediation, evaluation and accountability.

The importance of work and achievements the unit lies in being one of the accountability and correction tools for the senior management, by help improving and raising the efficiency of performance through findings and recommendations the unit reaches, in addition to assisting the senior management in improving shortcomings, and addressing them in a timely manner. The unit releases an annual report at each year end, in compliance with provisions of council of ministers decision 10/2011, article (3.10) on the internal financial audit regulations: '**the internal audit manager shall release and present an annual report that contains actions of unit to the minister, and shall provide the unit with a copy. The report shall include:**

a. Percentage of what has been accomplished compared to the annual plan

b. Executive summary of each audit that has been done

c. Analysis of common weaknesses that have been identified

d. Any significant observations to which no remedial action was taken, including observations mentioned in previous years' reports'.

Data and information in the unit's annual report are taken from audits done by audit departments and supporting units across 2024, where professional opinion was expressed as per the accepted internal audit standards, and based on effective regulations, laws and instructions, taking into account the observations generated by responses of departments and supporting units to reports released in previous years.

END