



Palestinian National Authority

State Audit & Administrative Control Bureau

First Quarterly Report 2009

**Audit & supervision for construction, development
& Promoting for good governance**

Preface

State Audit and Administrative Control Bureau looks forward to upgrade state auditing and controlling to be higher in quality, and to be compatible with requirements of the International Organizations of Supreme Audit Institutions, international accounting standards for public sector, international criteria for audit practices, code of ethics issued by International Accountants Association and integrity reinforcement and anticorruption according to UN anticorruption treaty. All of that demand implementation of SAACB first strategic goal that states: "**Construction of a typical audit bureau**". In order to have this goal achieved, financial and administrative independence must be guaranteed, and without it the development of SAACB will remain restricted by limits of civil service law and lack of financial resources.

State Audit and Administrative Control Bureau has seen qualitative improvement as for institutionalized construction and provision of auditing services, moreover, its prestige was strengthened in the view of audited entities as well as citizens. That reinforces determination and motive of decision makers and legislators to quicken issuance of a legislation that stipulates financial and administrative independence so that SAACB would carry out its tasks according to the best international practices, and in an effective, efficient and inexpensive way that goes in line with applicable laws and regulations of P.N.A.

Introduction

The first quarterly report of 2009 comes as an implementation and commitment of State Audit and Administrative Control Bureau Act No. 15 of 2004, which stipulates in article 26: "The president of the bureau shall submit quarterly reports, or upon request, including the result of the bureau investigations, studies, researches, suggestions, the committed offence, the resulted responsibilities, the observations and the recommendations about them to the president of P.N.A, legislative council, and the cabinet in order to adopt the suitable actions". This report **aims** to reassure that general performance in audited bodies is applying to provisions of laws, regulations, codes and instructions, and to disclose aspects of financial and administrative deviation if found, in addition to determine and assess anticipated risks in institutionalized work, and proposing treatment and overcome methods.

The report is deemed **important** due to its role in:

- Correcting work of audited units.
- Assisting different administrative units and executive authorities in modifying policies and raising institutionalized work performance.
- Reinforcing integrity, transparency and credibility in P.N.A general policies.
- Diminishing fundamental financial and administrative violations as well as fighting corruption.

This report depended on data and information collected from auditing reports which were accomplished during first quarter of 2009, plus reports done by general directorates, supporting units and non-audit actions.

The report was divided into **three chapters**; **first** of which was dedicated for development occurred in Palestinian police-internal control, reality of internal control system in March 2009, development and positive aspects of internal control components during 2006, 2008 and 2009, outcomes and recommendations and police response to the report.

The **second chapter** dealt with an outline of control activities throughout the first quarter of 2009, including the most important financial and administrative violations distributed and classified according to sectors (governance "civil and security"-economy-cultural and social services-infrastructure-local governance bodies-NGOs).

The **third chapter** focused on strengthening and completion of institutionalized construction and staff training, taking into account executed items of Bureau annual plan during first quarter of 2009, shedding light on the most significant achievements at general directorates and supporting units. The report also reviews financial report of 2009 first quarter, and addresses what have been adopted of general balance comparing to what have been assessed and determined by the Bureau, in addition to work drawbacks.

Staff of State Audit and Administrative Control Bureau welcomes all constructive suggestions, opinions and remarks with the purpose of providing audit service of high quality that goes in line with international standards of financial control, and in a way that serve the nation up to construction of law and institutions state, and reinforcement of good governance.

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**The Executive
Summary**

The **first chapter** handles reality of internal control system in the Palestinian police general directorate, which managed to upgrade itself to "excellent" rating in March 2009. Light will be shed on the introduction about police general directorate (duties and operations), definition and specifying of internal control components in 2009, development achieved during 2006, 2008 and 2009. Report examines system's important positive aspects which are:

- Establishing an internal control unit.
- Setting up accounting computerized system.
- Preparing unified procedure guides.

The report pointed out the most important weaknesses which are:

- Absence of judicial guarantees for employees who assume financial custodies.
- Excess spending of funds unlike law.

Outcomes showed that internal control system has been upgraded from %19 in 2006 to %50 in 2008, up to %91 in the beginning of 2009, and it was recommended that there must be focus on performance control in order to strengthen efficiency and effectiveness of internal control system.

The **second chapter** discusses achievements of control directorates during the first quarter of 2009, among most important reports were:

- Governorates of Jenin, Ramallah and Hebron.
- Civil Affairs Commission.
- Ministry of national economy.
- Ministry of labor.
- Ministry of education.
- Beit Jala municipality.
- Ar-Ram local council.

Number of auditing reports prepared by the Bureau during the first quarter of 2009 was 20, which varied between financial, administrative and comprehensive ones. The Bureau took part in 128 meetings of tender sessions as an observer and followed up 78 complaints.

The most significant and recurrent violations at audited bodies during first quarter of 2009:

- Violating some of Palestinian financial code provisions as for preparation of bank reconciliations, the way bonds and accounting books are kept and absence of judicial guarantees.
- Failure to close and transfer excess balances to MOF account by the end of each fiscal year unlike article 53 of general budget law.
- Failure of MOF to transfer financial transactions to ministries within fixed dates.
- Continuance of placing on administrative organizational chart unlike provisions of civil service law which states competency, equality of opportunities and justice.
- Violating some provisions of general supplies law (absence of inventory for fixed assets at some audited bodies).
- Deactivation of internal control unit at some ministries and public corporations.

The **third chapter** manages five main subjects:

- Assessment of SAACB annual plan for the first quarter of 2009 (planned and executed items).
- Review of non-controlling activities with images (internal and external courses and conferences).
- Capacity building and development for SAACB staff was distinctively conducted through internal workshops and seminars, workshops abroad and meeting series titled: "for **Developing and reinforcing oversight culture in the Palestinian institutions**".

- Highlight of institutions that stick to SAACB instructions, where Palestinian Central Bureau of Statistics turned out to be the most cooperative and committed of all institutions.
- Point out of work drawbacks, and the most distinguished one is absence of financial and administrative independence, subjection to civil service law, connection of financial resources to MOF unlike INTOSAI principles and standards.

Financial report for the first quarter of 2009 was reviewed, and figures of financial department showed that SAACB depended in its financial resources on balance carried forward from 2008 (47874,97 NIS). No financial transaction was transferred from 2009 balance, and cashing is being carried out now from 2008 remaining balance as financial orders for 2009, plus cash receipt for advances of 2100 NIS. Actual expenditures during the first quarter of 2009 were 20686,2 NIS, where due costs were 19279,28 NIS, and adopted balance for 2009 was reviewed. In general, adoption percentage of total balance draft scored %64.