

**WATER SECTOR REGULATORY COUNCIL
RAMALLAH - PALESTINE**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
AND INDEPENDENT AUDITORS' REPORT**

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**Independent Auditors' Report
To the Board of Directors of
Water Sector Regulatory Council**

Opinion

We have audited the Financial Statements of **Water Sector Regulatory Council**, which comprise the statement of financial position as of December 31, 2024, statement of activities, statement of changes in net assets, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Water Sector Regulatory Council** as of December 31, 2024, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of **Water Sector Regulatory Council** in accordance with the ethical requirements that are relevant to our audit of the financial statement in areas under the jurisdiction of the local Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing **Water Sector Regulatory Council** ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate **Water Sector Regulatory Council** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the **Water Sector Regulatory Council** financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also,

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the **Water Sector Regulatory Council** ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause **Water Sector Regulatory Council** to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Jamal Tarifi
Certified Public Accountant
Tarifi Auditing Institute

Ramallah
April 28, 2025

Water Sector Regulatory Council

Financial statements for the year ended December 31, 2024

STATEMENT OF FINANCIAL POSITION**As of December 31, 2024****(All amounts in USD)**

	Note	December 31, 2024	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents	(3)	286,461	294,165
Prepaid expenses and other debit balances		20,463	16,666
Total current assets		306,924	310,831
Non-current assets			
Fixed assets, net	(4)	17,521	23,067
Total non-current assets		17,521	23,067
Total assets		324,445	333,898
 NET ASSETS AND LIABILITIES			
Current liabilities			
Other current liabilities	(5)	3,985	8,449
Total current liabilities		3,985	8,449
Non-current liabilities			
Provision for end-of-service indemnity	(6)	80,582	64,732
Total non-current liabilities		80,582	64,732
Total Liabilities		84,567	73,181
Net assets			
Unrestricted net assets		14,587	30,284
Restricted net assets		225,291	230,433
Total net assets		239,878	260,717
Total net assets and liabilities		324,445	333,898

- The notes are an integral part of these financial statements.

Chairman of the BOD

Treasurer

Water Sector Regulatory Council

Financial statements for the year ended December 31, 2024

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2024

(All amounts in USD)

	Note	December 31, 2024	December 31, 2023
Revenues			
Grants	(7)	419,423	386,280
Total revenues		419,423	386,280
Expenses			
Projects and administration expenses	(8)	433,532	420,006
Depreciation		6,279	6,588
Currency Variance (Gain) loss		451	(1,364)
Total expenses		440,262	425,230
Changes in unrestricted net assets for the year		(20,839)	(38,950)
Net assets at beginning of the year		260,717	299,667
Net assets at end of the year		239,878	260,717

- The notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2024
(All amounts in USD)

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash flows from operating activities		
Changes in unrestricted net assets for the year	(20,839)	(38,950)
Prior period adjustment		
Adjustments:		
Depreciation	6,279	6,588
Provision for end of service indemnity	21,861	20,783
Adjustments to reconcile changes in net assets to net		
Cash provided by / (used in) operating activities:		
Increase in Prepaid expenses and other debit balances	(3,797)	
Increase (decrease) in Payables and accruals	(4,464)	(295)
Staff indemnities paid	(6,011)	(5,450)
Net cash (used in)/provided by operating activities	<u>(6,971)</u>	<u>(17,324)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(733)	(2,259)
Net cash used in investing activities	<u>(733)</u>	<u>(2,259)</u>
(Decrease) increase in cash and cash equivalents	(7,704)	(19,583)
Cash and cash equivalents, beginning of the year	294,165	313,748
Cash and cash equivalents, end of the year	<u>286,461</u>	<u>294,165</u>

- The notes are an integral part of these financial statements.

Water Sector Regulatory Council

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NOTES TO FINANCIAL STATEMENTS

(All amounts in USD)

NOTE (1) GENERAL INFORMATION

a. Background:

The water sector regulatory council was established with a Board of Directors formation according to the water law. According to material 18 from the water law for the year 2014, the main objective of the council is monitoring of all operational activities for water service providers, including production, transferring, disbursing, consumption and sanitation management for assuring, quality and efficiency of water provider sector service and sanitation water services in Palestine provided to consumers and in appropriate prices.

The Water Sector Regulatory Council was officially registered at the ministry of finance as a semi – governmental body under (888005972) after emphasis on the Council of ministers for the establishment of the Water Sector Regulatory Council on 8/7/2014.

b. Strategic Goals:

- Reaching all water service providers and sanitation providers to assure equal quality and efficiency of provided services.
- Development of local, regional and international council relationships.
- Providing reliable information and data regarding water and sanitation services.
- Developing of legal environment for water and sanitation services.
- Enhancing the institutional structure of the council.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared according to International Financial Reporting Standards based on the historical cost convention and presented in USD Dollar Currently, international financial reporting standards do not include any specific requirements regarding not-for-profit organizations in connection with the accounting policies or the presentation of the financial statements.

Following is a summary of the significant accounting policies:

a) Cash and cash equivalents:

Cash and cash equivalents includes cash at banks, cash on hand and short term deposits with a maturity of three months or less.

b) Fixed Assets - net:

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual rates:

	%
Furniture	6%
Computers	15-33%–
Vehicles	15%
Office equipment	15%

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c) Revenues and expenses recognition:

The financial statements have been prepared in accordance with the modified accrual basis of accounting. Revenues recognized when received from the donor, and expenditures are recognized when incurred.

d) Provision for end of service indemnity:

Benefits payable to the employees at the end of their services which are provided for in accordance with the guidelines set by the local labour laws, by accruing one month compensation for each year of service based on the last salary paid.

e) Translation of foreign currencies:

The accompanying financial statements are denominated in USD. Transaction in other currencies is accounted for at the exchange rates prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated into USD by applying the exchange rates prevailing at the reporting date. Exchange gains or losses arising from the transactions are reflected in the statement of activities and changes in net assets. The exchange rates against USD as of December 31 were as follows:

Currency	December 31, 2024	December 31, 2023
NIS	3.66	3.60

NOTE (3) CASH AND CASH EQUIVALENTS

Details-

	December 31, 2024	December 31, 2023
Cash on hand	1,000	1,000
Cash at Bank of Palestine	285,461	293,165
	286,461	294,165

NOTE (4) – FIXED ASSETS, NET

Details-

	Balance 1/1/2024	Additions	Disposals	Balance 31/12/2024
Furniture	17,675		-	17,675
Computers	47,388	565	-	47,953
Vehicles	35,803		-	35,803
Office equipment	16,188	168	-	16,356
	117,054	733	-	117,787
Accumulated depreciation				
Furniture	8,336	1,063	-	9,399
Computers	39,598	3,733	-	43,331
Vehicles	35,803		-	35,803
Office equipment	10,250	1,483	-	11,733
	93,987		-	100,266
Net Book Value	23,067			17,521

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NOTE (5) OTHER CURRENT LIABILITIES

Details-

	December 31, 2024	December 31, 2023
Due to – Board of Directors	2,600	6,750
Income Tax – employees	505	819
Accrued audit fees	880	880
	<u>3,985</u>	<u>8,449</u>

NOTE (6) PROVISION FOR END OF SERVICE INDEMNITY

Details-

	December 31, 2024	December 31, 2023
Balance Beginning of the year	64,732	49,399
Additions during the year	22,046	20,700
Payments during the year	(1,811)	(450)
Advance Payment	(4,200)	(5,000)
Currency Variance	(185)	83
Balance at end of year	<u>80,582</u>	<u>64,732</u>

NOTE (7) GRANTS

Details-

	December 31, 2024	December 31, 2023
Representative office of Netherlands to Palestinian Authority	419,423	386,280
	<u>419,423</u>	<u>386,280</u>

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NOTE (8) PROJECTS' EXPENSES

Details-

	December 31, 2024	December 31, 2023
Salaries and Related Expenses	279,683	243,630
Provision for end of service indemnity	22,046	20,700
BOD compensations	9,700	14,200
Consultancy Services	8,500	34,596
Communications	4,467	3,950
Technical and Design expense	13,798	1,700
Stationery and publicity	13,086	8,555
Rent	40,000	40,000
Utilities	4,750	4,719
Hall rental and Workshops	9,101	15,573
Audit Fees	880	880
Transportation and Travel	3,283	5,322
Maintenance	4,005	6,143
Translation	1,031	810
Office Supplies	5,865	4,220
Hospitality	3,370	4,532
Subscriptions	-	20
Training	-	1,871
Bank charges	459	405
Insurance	9,508	8,180
	<u>433,532</u>	<u>420,006</u>

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NOTE (9) CHANGES IN NET ASSETS BY DONOR

Item	Project Number 4000005737	Ministry of Finance - AFD	Unrestricted net assets	Total
Balance 1.1.2024	201,518	28,915	30,284	260,717
Grants	419,423	-	-	419,423
Total Grants	620,941	28,915	30,284	680,140
Expenses				
Salaries and Related Expenses	259,562	20,121		279,683
Provision for end of service indemnity	20,869	1,177		22,046
BOD compensations			9,700	9,700
Consultancy	8,500			8,500
Communications	4,100	367		4,467
Technical and Design expense	13,798			13,798
Stationery and publicity	13,086			13,086
Rent	40,000			40,000
Utilities	4,750			4,750
Hall Rent and workshops expense	9,101			9,101
Audit Fees	880			880
Transportation and Travel	3,283			3,283
Maintenance	4,005			4,005
Translation	1,031			1,031
Office Supplies	5,865			5,865
Hospitality	3,370			3,370
Bank charges	459			459
Insurance	9,508			9,508
Total expenses	402,167	21,665	9,700	433,532
Fixed assets additions	733	-	(733)	-
Depreciation	-	-	(6,279)	(6,279)
Currency Variance	-	-	(451)	(451)
Change in net assets during the year	218,041	7,250	14,587	239,878

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NOTE (9) DETAILS OF NET ASSETS**I) Representative office of Netherlands to the Palestinian Authority**

A) Project Number 4000003271

	2019	2020	2021	2022
Balance - Beginning of the project	-	153,958	(13,319)	21,823
Grants	300,000	148,479	449,648	160,755
Expenditures	(145,288)	(308,623)	(411,145)	(171,557)
Procurement of fixed assets	(754)	(7,133)	(3,361)	(11,021)
Balance - End of the year	153,958	(13,319)	21,823	-

B) Project Number 4000005737

	2022	2023	2024
Balance - Beginning of the project	-	189,704	201,518
Grants	387,500	386,280	419,423
Expenditures	(197,160)	(372,207)	(402,167)
Procurement of fixed assets	(636)	(2,259)	(733)
Balance - End of the year	189,704	201,518	218,041

II) Ministry of Finance – AFD

	2022	2023	2024
Balance - Beginning of the project	-	61,207	28,915
Grants	86,536	-	-
Expenditures	(23,820)	(32,292)	(21,665)
Procurement of fixed assets	(1,509)	-	-
Balance - End of the year	61,207	28,915	7,250