

**CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH
AND NUTRITION PROJECT**

**AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE FINANCIAL PERIOD FROM 16 OCTOBER 2014 TO 30 APRIL 2016**

CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT

Under the Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program Grant Agreement Number TF018017 between the Royal Government of Cambodia , and the International Bank for Reconstruction and Development and the International Development Association

PROJECT INFORMATION

PROJECT MANAGEMENT:

H.E. Ngan Chamroeun
Executive Deputy Head of NCDDDS

Mr. Chey Sambatphalla
Program Manager

Ms. Chum Chanmony
Finance Officer

IMPLEMENTING AGENCY:

Ministry of Interior
Department of National Committee for Sub-national
Democratic Development Secretariat

PRINCIPAL BANKER:

National Bank of Cambodia

AUDITORS:

BDO (Cambodia) Limited

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PROJECT MANAGEMENT'S REPORT

The Project Management hereby submits the report together with the audited financial statements of Cash Transfer Pilot Focused on Maternal and Child Health and Nutrition Project ("the Project") for the financial period from 16 October 2014 to 30 April 2016.

Responsibility of the Project Management in respect of the financial statements

The Project Management is responsible to ascertain that the financial statements of the Project for the financial period from 16 October 2014 to 30 April 2016 are prepared, in all material respects, in accordance with the basis of preparation and accounting policies set out in Note 2 to the financial statements. In preparing these financial statements, the Project Management is required to select suitable accounting policies and then apply them consistently.

The Project Management is responsible for ensuring that proper accounting records are kept which enable the financial statements to be prepared in compliance with the basis of preparation and accounting policies set out in Note 2 to the financial statements as well as in accordance with the terms of the financing agreement for the Australia Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program Grant Agreement Number TF018017 between the Royal Government of Cambodia, and the International Bank for Reconstruction and Development and International Development Association (collectively known as "World Bank"). The Project Management is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Project Management assumes the responsibility to provide, and has provided, the auditors with all accounting records, supporting and other documents, minutes, and any other pertinent information and explanations, either orally or in writing, necessary for the audit.

Statement by the Project Management

In the opinion of the Project Management, the financial statements set out on pages 4 to 15 are prepared, in all material respects, in accordance with the basis of preparation and accounting policies set out in Note 2 to the financial statements and the related financing agreement.

On behalf of the Project Management,



H.E. Ngan Chamroeun
Executive Deputy Head of NCDD



Mr. Chey Sambathphalla
Project Manager

Phnom Penh, Cambodia

Date: 29 June 2016

INDEPENDENT AUDITORS' REPORT TO THE PROJECT MANAGEMENT OF CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT

Report on the Financial Statements

We have audited the accompanying financial statements of the Cash Transfer Pilot Focused on Maternal and Child Health and Nutrition Project ("the Project"), which comprise statement of financial position as at 30 April 2016, statement of sources of funds and expenditures and statement of designated account for the financial period from 16 October 2014 to 30 April 2016, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 15.

Project Management's Responsibility for the Financial Statements

The Project Management is responsible for the preparation of the financial statements in accordance with the basis of preparation and accounting policies set out in Note 2 to the financial statements and for such internal control as the Project Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Project's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the Project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Project Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT TO THE PROGRAM MANAGEMENT OF
CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION
PROJECT (continued)**

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements of the Project for the financial period from 16 October 2014 to 30 April 2016 are prepared, in all material respects, in accordance with the basis of preparation and accounting policies set out in Note 2 to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statement, which describes the basis of preparation and accounting policies adopted by the Project. The financial statements are prepared to assist the Project to meet its financial reporting requirements. As a result, the financial statements may not be suitable for another purpose.



Lim Seng Siew
Partner

BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia
Date: 29 June 2016

CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT

Under the Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program Grant Agreement Number TF018017 between the Royal Government of Cambodia , and the International Bank for Reconstruction and Development and the International Development Association

**STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2016**

	Note	2016 US\$
ASSETS		
Bank balance	3	52,039
Amounts due from implementing agencies	4	<u>1,113</u>
TOTAL ASSETS		<u><u>53,152</u></u>
FUND BALANCE		<u><u>53,152</u></u>

CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT

Under the Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program Grant Agreement Number TF018017 between the Royal Government of Cambodia , and the International Bank for Reconstruction and Development and the International Development Association

**STATEMENT OF SOURCES OF FUNDS AND EXPENDITURES
FOR THE FINANCIAL PERIOD FROM 16 OCTOBER 2014 TO 30 APRIL 2016**

	Note	16 Oct 2014 to 30 Apr 2016 US\$
SOURCES OF FUNDS		
International Development Association	10.2	589,474
EXPENDITURES BY CATEGORIES		
Goods	5 6	20,566
Consulting services	7	129,185
Training and workshops	8	34,924
Incremental operating costs	9	117,996
Cash transferred	10	<u>233,651</u>
		<u>536,322</u>
Excess of sources of funds over expenditures		<u>53,152</u>
Fund balance at end of the financial period		<u><u>53,152</u></u>
EXPENDITURES BY COMPONENTS		
Support to the National Social Protection Strategy		80,870
Cash transfers and cash bonuses to beneficiaries		270,098
Strengthening of cash transfer implementation systems		<u>185,354</u>
		<u><u>536,322</u></u>

CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT

Under the Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program Grant Agreement Number TF018017 between the Royal Government of Cambodia , and the International Bank for Reconstruction and Development and the International Development Association

**STATEMENT OF DESIGNATED ACCOUNT
FOR THE FINANCIAL PERIOD FROM 16 OCTOBER 2014 TO 30 APRIL 2016**

	Note	16 Oct 2014 to 30 Apr 2016 US\$
SOURCES OF FUNDS		
Funds received	10.2	<u>589,474</u>
EXPENDITURES BY CATEGORIES		
Goods	5 6	20,566
Consulting services	7	129,185
Training and workshops	8	34,924
Incremental operating costs	9	117,996
Cash transferred	10	<u>233,651</u>
		<u>536,322</u>
Excess of sources of funds over expenditures		<u>53,152</u>
Fund balance at end of the financial period		<u><u>53,152</u></u>
REPRESENTED BY:		
Cash at bank	3	52,039
Amounts due from implementing agencies	4	<u>1,113</u>
		<u><u>53,152</u></u>

CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT

Under the Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program Grant Agreement Number TF018017 between the Royal Government of Cambodia, and the International Bank for Reconstruction and Development and the International Development Association

NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT INFORMATION

The Cash Transfer Pilot Focused on Maternal and Child Health and Nutrition Project (“the Project”) was established between The Royal Government of Cambodia (“the Recipient”) represented by Ministry of Economy and Finance (“MEF”), and the International Bank for Reconstruction and Development and the International Development Association (collectively known as “World Bank”), acting as administrator of grant funds provided by the Government of Australia (“Donor”) under the Australia Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program, which extended to the Recipient a grant amounting to US\$850,000 to assist in the financing of the Project.

The Project is implemented by the National Committee for Sub-National Democratic Development Secretariat (“NCDDS”).

The objectives of the Project is to help increase the utilisation of essential health services by pregnant women and children (from 0 to 5 years of age) in targeted districts and enhance the readiness of delivery mechanisms of the social protection system. The Cash Transfer Pilot intends to reach around 3,000 beneficiaries in two districts (Srey Snam, Siem Reap Province and Phnom Srok, Banteay Meanchey Province) in its first phase (18 months) of cash transfers (October 2014, through April 2016). The Project consists of the following parts:

Part 1: Support to the National Social Protection Strategy

Carrying out of activities designed to support the National Social Protection Strategy, including: (a) updating the National Social Protection Strategy; (b) developing a unique registry of beneficiaries of social programs; (c) undertaking research activities, including collaboration with the impact evaluation of the Project; and (d) coordinating actors at the national level, including outreach events to disseminate information about the Project and its impact evaluation. This component will be implemented by Council for Agricultural and Rural Development (“CARD”).

Part 2: Cash transfers and cash bonuses to beneficiaries

The program aims to support human capital development by providing cash stipends to poor pregnant women and families with young children, with embedded co-responsibilities to improve child nutrition and development. The main activities include: (a) cash transfer to enrolled beneficiaries to facilitate their utilisation of health and nutrition services available in the pilot districts; (b) cash bonuses for beneficiaries based on compliance with specific co-responsibilities relating to health service utilisation and attendance to learning workshops; and (c) nutrition and sanitation workshops for enrolled beneficiaries. This component will be implemented by NCDDS.

Part 3: Strengthening of cash transfer implementation systems

Carrying out of activities designed to (a) strengthen the NCDDS’ management information system (“MIS”) to support implementation and monitoring and evaluation of the Project; (b) strengthen the capacity of commune councils and district level staff to interact with health service providers, respond to Project needs including grievance redress, and monitor program implementation; and (c) support other Project administration and management activities. This component will be implemented by NCDDS.

CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT

Under the Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program Grant Agreement Number TF018017 between the Royal Government of Cambodia, and the International Bank for Reconstruction and Development and the International Development Association

1. PROJECT INFORMATION (continued)

The original grant committed by the IDA-administered Australia Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program for the Project amounted to US\$850,000. The following specifies the categories of expenditure financed out of the proceeds of the Grant under agreement Number TF018017.

Categories	Amount of the grant allocated US\$	% of expenditures to be financed (inclusive of taxes)
(1) Goods, non-consulting services, consultants' services, training/workshops, and incremental operating costs	400,000	100%
(2) Cash transfers and cash bonuses	<u>450,000</u>	100%
Total amount	<u><u>850,000</u></u>	

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted by the Project in the preparation of the financial statements.

2.1 Basis of preparation

The financial statements of the Project, which are expressed in United States Dollar ("US\$"), have been prepared in accordance with modified cash basis of accounting. Under this basis of accounting, fund received is recognised when received rather than when the right to received it arise, and expenditure is recognised when it is paid rather than when incurred, except for the advance payments which are initially recognised as receivables and only recognised as expenditures when they have been liquidated by invoices supporting the related expenditures.

The financial statements present sources and uses of funds, and the related financial information in relation to the World Bank fund withdrawals and disbursements from the Project's designated account as specified under the Grant Agreement Number TF018017 between the Kingdom of Cambodia and the World Bank.

2.2 Cash

Cash consists of bank balances with insignificant risk of changes in values.

The project maintains a designated bank account with the National Bank of Cambodia in a US\$ denominated account. A petty cash float is also maintained in US\$.

2.3 Statement of designated account

The statement of designated account presents the receipts and payments for each source of funding, namely the World Bank Grant, in accordance with the World Bank Annual Financial Reporting Guidelines.

CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT

Under the Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program Grant Agreement Number TF018017 between the Royal Government of Cambodia , and the International Bank for Reconstruction and Development and the International Development Association

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Funds from the International Development Association (“IDA”)

Funds from the IDA are recognised as a source when cash is transferred to the Project’s designated account or when direct payments are disbursed by the IDA rather than when committed or budgeted.

2.5 Expenditures

Expenditures are recognised when payment is made rather than when it is incurred, except for advance payments to staff and suppliers which are initially recognised as advances and recognised as expenditures when they are liquidated by presentation of supporting invoices.

2.6 Equipment

Equipment procured is recognised as expenditure when received or when handed-over from contractors or suppliers upon the respective acceptance and approval by the Project Management.

An asset register is maintained to track equipment for control purposes.

2.7 Foreign exchange differences

Expenditures and withdrawals in foreign currencies (other than US\$) are converted into US\$ at the prevailing exchange rates declared by the National Bank of Cambodia ruling at the date of transactions. Monetary items denominated in foreign currencies are translated into US\$ for reporting purposes at the closing exchange rate prevailing at the reporting date.

2.8 Commitment and service charges

Commitment and service charges relating to the IDA are paid directly by the Ministry of Economy and Finance of the Royal Government of Cambodia and are not accounted for in the statement of sources of funds and expenditures and the statement of designated account.

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3. BANK BALANCE

	2016
	US\$
Cash at bank	<u>52,039</u>

4. AMOUNTS DUE FROM IMPLEMENTING AGENCIES

	2016
	US\$
National Committee for Sub-National Democratic and Development Secretariat ("NCDDS")	275
Council for Agricultural and Rural Development ("CARD")	<u>838</u>
	<u>1,113</u>

5. EXPENDITURES BY CATEGORIES

	16 Oct 2014
	to
	30 Apr 2016
	US\$
Goods	20,566
Consulting services	129,185
Training and workshops	34,924
Incremental operating costs	117,996
Cash transferred	<u>233,651</u>
	<u>536,322</u>

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6. GOODS

	16 Oct 2014 to 30 Apr 2016 US\$
Cameras	418
Laptops/desktops	11,846
LCD projectors	621
Photocopiers	4,260
Printers	1,221
Office furniture	2,200
	<hr/>
	20,566
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7. CONSULTING SERVICES

	16 Oct 2014 to 30 Apr 2016 US\$
Non-Government Organizations	30,971
Data manager	3,786
District coordinator	9,235
Finance advisor	17,608
Monitoring and evaluation officer	11,747
MIS consultant	5,882
National project manager	25,672
Research assistant	2,552
Social protection coordinator	21,732
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	129,185
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CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT

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8. TRAINING AND WORKSHOPS

	16 Oct 2014 to 30 Apr 2016 US\$
Material and copy	3,670
Organisation and venue	3,168
Oversea training costs	9,247
Per diem	7,110
Printing	4,544
Foods and refreshment	4,011
Travel	3,174
	<hr/>
	34,924
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9. INCREMENTAL OPERATING COSTS

	16 Oct 2014 to 30 Apr 2016 US\$
Communication	2,315
Fieldwork kits	2,091
Office supply	15,153
Per diem	42,274
Travel	49,132
Research grants	5,346
Others	1,685
	<hr/>
	117,996
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10. CASH TRANSFERRED

	16 Oct 2014 to 30 Apr 2016 US\$
Cash transferred to beneficiaries	<hr/>
	233,651
	<hr/> <hr/>

CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT

Under the Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program Grant Agreement Number TF018017 between the Royal Government of Cambodia , and the International Bank for Reconstruction and Development and the International Development Association

10. DESIGNATED ACCOUNTS AND WITHDRAWAL APPLICATIONS

10.1 Statement of designated accounts

	16 Oct 2014 to 30 Apr 2016 US\$
Balance as at 16 Oct 2016	-
Add:	
Total funds received from the IDA during the financial period	589,474
Deduct:	
Total funds withdrawn for expenditures during the financial period	<u>536,322</u>
Balance as at 30 Apr 2016	<u><u>53,152</u></u>

CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT
Under the Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program Grant Agreement Number TF018017 between the Royal Government of Cambodia, and the International Bank for Reconstruction and Development and the International Development Association

10. DESIGNATED ACCOUNTS AND WITHDRAWAL APPLICATIONS (continued)

10.2 Summary of withdrawal applications

IDA

Withdrawal application number	Date	Amount claimed for replenishment							Sub-total US\$	Advances US\$	Total US\$
		Goods US\$	Consulting services US\$	Training and workshops US\$	Incremental operating costs US\$	Cash transferred US\$	US\$	US\$			
ADV	3 Mar 2015	-	-	-	-	-	-	-	-	400,000	400,000
002-REP	16 Jun 2015	-	15,017	10,003	17,006	-	-	-	42,026	-	42,026
003-REP	20 Aug 2015	-	4,704	4,456	7,903	8,608	-	-	25,671	-	25,671
004-REP	31 Aug 2015	4,260	7,290	468	9,152	18,358	-	-	39,528	-	39,528
005-REP	22 Sep 2015	-	-	-	-	-	-	-	-	-	-
006-REP	2 Nov 2015	-	-	-	-	-	-	-	-	-	-
007-REP	22 Dec 2015	-	-	-	-	-	-	-	-	-	-
008-REP	18 Feb 2016	-	-	-	-	-	-	-	-	-	-
009-REP	20 Apr 2016	-	27,146	5,589	16,325	33,189	-	-	82,249	-	82,249
		4,260	54,157	20,516	50,386	60,155	-	-	189,474	400,000	589,474

CASH TRANSFER PILOT FOCUSED ON MATERNAL AND CHILD HEALTH AND NUTRITION PROJECT

Under the Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program Grant Agreement Number TF018017 between the Royal Government of Cambodia , and the International Bank for Reconstruction and Development and the International Development Association

11. COMMITMENTS

The Program has entered into several contracts with outstanding balance as at 30 April 2016, as follows:

	2016 US\$
Goods	1,284
Consulting services	25,883
Incremental operating costs	<u>3,987</u>
	<u><u>31,154</u></u>

12. TAXATION CONTINGENCIES

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Project Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.