

**INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL
SYSTEMS PROJECT**

**AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2020**

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

PROJECT INFORMATION

PROJECT MANAGEMENT:	National Committee for Sub-National Democratic Development Secretariat (“NCDDS”), Ministry of Interior: H.E Ngan Chamroeun, Project Director Mr. Ma Onn Ma On Nath, Project Manager
IMPLEMENTING AGENCY:	National Committee for Sub-National Democratic Development Secretariat (“NCDDS”), Ministry of Interior
PRINCIPAL BANKER:	National Bank of Cambodia
AUDITORS:	BDO (Cambodia) Limited

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

CONTENTS	PAGE
PROJECT MANAGEMENT'S REPORT	1
INDEPENDENT AUDITORS' REPORT	2 - 3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF SOURCES OF FUNDS AND EXPENDITURES	5
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND COMPARISON OF BUDGET AND ACTUAL AMOUNTS	6
STATEMENT OF DESIGNATED ACCOUNTS	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 14

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

PROJECT MANAGEMENT'S REPORT

The Project Management hereby submits the report together with the audited financial statements of Integration of Social Accountability into National and Sub-National Systems Project ("the Project"), which comprise statement of financial position as at 31 December 2020, statement of sources of funds and expenditures, statement of cash receipts, expenditures and comparison of budget and actual amounts and statement of designated accounts, for the period from 17 March 2020 to 31 December 2020.

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 period from 17 March 2020 to 31 December 2020 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 basis of preparation and accounting policies set out in Note 2 to the financial statements. 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 14 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. *NS*

Signed on behalf of the Project Management, *NS*



Ngan Chamroeun
Project Director
Secretary of State, MOI
Head of NCDDDS

Phnom Penh, Cambodia
Date: 18 OCT 2021

INDEPENDENT AUDITORS' REPORT TO THE PROJECT MANAGEMENT OF INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Report on the Financial Statements

Opinion

We have audited the financial statements of Integration of Social Accountability into National and Sub-National Systems Project ("the Project"), which comprise statement of financial position as at 31 December 2020, statement of sources of funds and expenditures, statement of cash receipts, expenditures and comparison of budget and actual amounts and statement of designated accounts, for the period from 17 March 2020 to 31 December 2020 and a summary of significant accounting policies and other explanatory explanation, as set out on pages 4 to 14.

In our opinion, the accompanying financial statements of the Project for the period from 17 March 2020 to 31 December 2020 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 for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Project in accordance with the Code of Ethics for Professional Accountants and Auditors of the Kampuchea Institute of Certified Public Accountants and Auditors ("Code of Ethics") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the IESBA Code.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the financial statements, which describe 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. Our opinion is not modified in respect of this matter.

Responsibility of the Project Management 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 controls 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.

**INDEPENDENT AUDITORS' REPORT TO THE PROJECT MANAGEMENT OF
INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL
SYSTEMS PROJECT (continued)**

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Project as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 CISAs 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 the financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Project, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Project Management.
- Evaluate the overall presentation, structure and content of the financial statements of the Project, including the disclosures, and whether the financial statements of the Project represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Project Management 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.

For and on behalf of
BDO (Cambodia) Limited



Lim Seng Siew
Certified Public Accountant



Phnom Penh, Cambodia
Date: 18 October 2021

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	31.12.2020 US\$
ASSET		
Cash and bank balances	3	<u>180,157</u>
TOTAL ASSET		<u>180,157</u>
FUND BALANCE		<u>180,157</u>

The accompanying notes form an integral part of the financial statements.

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

**STATEMENT OF SOURCES OF FUNDS AND EXPENDITURES
FOR THE PERIOD FROM 17 MARCH 2020 TO 31 DECEMBER 2020**

	Note	17.3.2020 to 31.12.2020 US\$
SOURCES OF FUNDS		
International Development Association	4	<u>275,000</u>
EXPENDITURES BY CATEGORIES		
Goods	5	35,177
Consulting services	6	44,179
Operating costs	7	<u>15,487</u>
		<u>94,843</u>
Excess of sources of funds over expenditures		180,157
Fund balance at beginning of period		<u>-</u>
Fund balance at end of period		<u><u>180,157</u></u>
EXPENDITURES BY COMPONENTS		
Transparency and access to information	8	11,188
Capacity development		10,135
National and Sub-National coordination and support		<u>73,520</u>
		<u><u>94,843</u></u>

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD FROM 17 MARCH 2020 TO 31 DECEMBER 2020**

	Total budget US\$ (unaudited)	Actual 17.3.2020 to 31.12.2020 US\$
SOURCES OF FUNDS		
International Development Association		<u>275,000</u>
EXPENDITURES BY CATEGORIES		
Goods	154,632	35,177
Consulting services	120,672	44,179
Training costs	197,788	-
Operating costs	<u>120,886</u>	<u>15,487</u>
	<u>593,978</u>	<u>94,843</u>
Excess of sources of funds over expenditures		180,157
Fund balance at beginning of period		<u>-</u>
Fund balance at end of period		<u>180,157</u>
EXPENDITURES BY COMPONENTS		
Transparency and access to information	202,514	11,188
Implementation of Joint Accountability Action Plans	41,850	-
Capacity development	109,995	10,135
National and Sub-National coordination and support	<u>239,619</u>	<u>73,520</u>
	<u>593,978</u>	<u>94,843</u>

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

**STATEMENT OF DESIGNATED ACCOUNTS
FOR THE PERIOD FROM 17 MARCH 2020 TO 31 DECEMBER 2020**

	Note	17.3.2020 to 31.12.2020 US\$
SOURCES OF FUNDS		
Funds received during the year	4	<u>275,000</u>
EXPENDITURE BY CATEGORIES		
Goods	5	35,177
Consulting services	6	44,179
Operating cost	7	<u>15,487</u>
		<u>94,843</u>
Excess of sources of funds over expenditures		180,157
Fund balance at beginning of year		<u>-</u>
Fund balance at end of year		<u><u>180,157</u></u>
REPRESENTED BY:		
Cash on hand	3	764
Cash at bank	3	<u>179,393</u>
		<u><u>180,157</u></u>

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT BACKGROUND

Integration of Social Accountability into National and Sub-National Systems Project (“the Project”) was established under the Grant Agreement Number - TF0B2195 signed on 17 March 2020 between the Royal Government of Cambodia (“RGC”) represented by the Ministry of Economy and Finance (“MEF”) and the International Development Association (“IDA”) of World Bank. The agreement became effective for implementation from 17 March 2020. The amount of funding under the grant agreement to be provided to the Project is US\$1,720,000, with details as follows:

Category	Amount of the Grant Allocated (expressed in US\$)	% of Expenditures to be Financed (inclusive of taxes)
(1) Goods, Non-consulting services, Consulting services, Operating costs, Training and Workshops, under the Project.	1,720,000	100%
TOTAL	1,720,000	

The Project started with the objective to improve the performance of public service providers through the development and institutionalisation of national and sub-national government systems for improved transparency, strengthened citizen engagement and responsive action.

The Project is being implemented by National Committee for Sub-National Democratic Development Secretariat (“NCDDS”), Ministry of Interior.

The Project consists of the following parts:

Part 1: Transparency and access to information

Provision of support to strengthen transparency and import citizen access to information relating to public service performance, budget and expenditure, including:

- (i) the implementation of Implementation Plan for the Social Accountability Framework (“ISAF”) activities through training-of-trainers and organising outreach events;
- (ii) developing and piloting a set of ISAF administrative tools for district/municipality administrations; and
- (iii) enhancing and managing an electronic platform for access information.

Part 2: Citizen monitoring

Provision of support to empower citizen to monitor and evaluate public service and propose actions for improvement using the community scorecard process and self-assessment meetings, including:

- (i) integrating community score card processes into health centers, schools, commune/Sangkat councils and district/municipality administrations;
- (ii) training commune, school, health center and district administration staff to conduct self-assessment meetings; and
- (iii) supporting collaboration between sub-national authorities and services providers in self-assessment meetings.

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

1. PROJECT BACKGROUND (continued)

Part 3: Implementation of Joint Accountability Action Plans (“JAAPs”)

Provision of support to stakeholders to implement agreed JAAPs, including conducting training for relevant personnel at all levels.

Part 4: Capacity development

Support:

- (i) the preparation and revision of necessary documentation to develop new guidelines and training materials for government implementation of ISAF Activities;
- (ii) strategic planning and training for key stakeholders; and
- (iii) the preparation of a standardised training curriculum and accreditation program for public servants.

Part 5: National and Sub-national coordination and support

Provision of assistance for the Project management, administration, coordination, and financing of operating costs, including monitoring and evaluation.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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 receive it arises, and expenditure is recognised when it is paid rather than when incurred, except for the advances to implementing agencies, 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 IDA fund withdrawals and disbursements from the Project’s designated account as specified under the Grant Agreement Number - TF0B2195 between the MEF of RGC and the IDA of World Bank.

2.2 Sources of funds

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.

2.3 Expenditures

Expenditure is recognised when payment is made rather than when it is incurred, except as disclosed in Note 2.1 to the financial statements.

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

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

2.4 Equipment

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

2.5 Cash

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

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

2.6 Statement of designated account

The statement of designated account presents the receipts and payments funded by the IDA in accordance with the financing agreement.

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 in to US\$ for reporting purposes at the closing exchange rate prevailing at the reporting date.

3. CASH AND BANK BALANCES

	31.12.2020
	US\$
Cash on hand	764
Cash at bank	179,393
	<u>180,157</u>

4. INTERNATIONAL DEVELOPMENT ASSOCIATION

	31.12.2020
	US\$
Funds receipts	<u>275,000</u>

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

5. GOODS

	17.3.2020
	to
	31.12.2020
	US\$
Computer equipment	33,780
Other equipment	1,397
	<u>35,177</u>

6. CONSULTANT SERVICES

	17.3.2020
	to
	31.12.2020
	US\$
National consultant fee	31,808
Withholding tax on consultant	3,883
NCDDS performance assessment	8,488
	<u>44,179</u>

7. OPERATING COSTS

	17.3.2020
	to
	31.12.2020
	US\$
Administration supplies	1,813
Banking charge	48
Local transportation and mission costs	8,971
Maintenance supplies	1,164
Public relations and advertisement	2,991
Rewards and other compensation	500
	<u>15,487</u>

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

8. EXPENDITURES BY COMPONENTS

	17.3.2020
	to
	31.12.2020
	US\$
Transparency and access to information:	
ISAF information and communication consultant	6,626
ISAF information technology	4,562
Capacity development:	
National monitoring and project supporting visit	10,135
National and Sub-national Coordination and Support:	
ISAF senior national operation consultant (individual)	8,130
Social accountability consultant (individual)	7,908
ISAF financial management consultant (individual)	8,465
Drivers	500
Computer equipment	35,177
Bank charge for fund transfer from NCDDS to Provinces	48
Procurement publish advertisement	2,991
Office supply	1,813
NCDDS performance	8,488
	<u>94,843</u>

9. DESIGNATED ACCOUNTS AND WITHDRAWAL APPLICATIONS

9.1 Statement of designated accounts – IDA Grant

	US\$
Balance as at 13 March 2020	-
Add:	
Total amount advanced during the period	275,000
Deduct:	
Total amount withdrawn for expenditures during the period	<u>(94,843)</u>
Balance as at 31 December 2020	<u>180,157</u>

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT
Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

9. DESIGNATED ACCOUNTS AND WITHDRAWAL APPLICATIONS (continued)

9.2 Summary of withdrawal applications – IDA Grant

Withdrawal application number	Date	Amount claimed for replenishment						Total US\$
		Advance US\$	Goods US\$	Works US\$	Consulting services US\$	Training costs US\$	Operating costs US\$	
2020 Initial advance No. 1	13 Jul 2020	275,000	-	-	-	-	-	275,000
		275,000	-	-	-	-	-	275,000

INTEGRATION OF SOCIAL ACCOUNTABILITY INTO NATIONAL AND SUB-NATIONAL SYSTEMS PROJECT

Under the Grant Agreement Number – TF0B2195 between the Royal Government of Cambodia and the International Development Association

11. 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.

12. COMPARATIVE FIGURES

There are no comparative figures as this is the first set of financial statements since the commencement of the Project.