

Financial statements and
independent auditor's report,
Report on compliance, and
Report on capacity in managing
finance related grant agreement with
Oxfam Great Britain in Cambodia

Community Translation Organization

For the period from 1 April 2013 to 31 December 2014

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Part 1:

Financial statements and independent auditor's report for the period from 1 April 2013 to 31 December 2014

Report of Management

Management submits its report together with the audited financial statements of Community Translation Organization from 1 April 2013 to 31 December 2014.

The Organisation

Community Translation Organization (“CTO” or “the Organisation”) was established on 26 June 2004 and was registered with Cambodia’s Ministry of Interior on 30 June 2009.

The Organisation implements two projects funded by Oxfam Great Britain in Cambodia as listed below:

1. Promoting an strengthening WASH communities in Preah Vihear Provinces, Cambodia

This project is to increase community health and quality of life the poor and vulnerable by improving sustainable access to safe water, sanitation and hygiene, and increase participation of women in the WASH sector.

2. Sustainable forest management and rural livelihood enhancement

This project aims to develop forestry communities that are legally recognised by Royal Government of Cambodia and are able to conserve forest, self-sustain and enhance the livelihoods of their members through benefit accruing from legal commercialization of forest products from sustainable forest management whilst maintaining the environment services of the forest.

The projects ended on 31 December 2014.

Management

The members of the Management team responsible for the overall direction and management of the Organisation during the period and to the date of this report are:

Name	Position	Date of appointment
Board Leadership		
Jon Morgan	Deputy board an acting board of director	1 January 2011
William Jame Willis	Member	1 January 2014
Ou Dara	Member	1 January 2014
Kristen Davies	Member	1 January 2014
Kat Bunheng	Member	1 January 2014
Management team		
Yinh Ya	Executive Director	1 January 2014
Thay Pisey	Program Coordinator	1 January 2015
Suong Sothea	Finance Manager	3 August 2010

Auditors

The financial statements from 1 April 2013 to 31 December 2014 have been audited by Grant Thornton (Cambodia) Ltd.

Responsibility of Management in respect of the financial statements

Management is responsible for the financial statements which shows Organisation's fund balance as at 31 December 2014, and its income and expenditure for the period from 1 April 2013 to 31 December 2014, prepared, in all material respects, in accordance with the basis of accounting described in note 2 to the financial statements.

In preparing the financial statements, Management is required to:

- i. select suitable accounting policies and then apply them consistently,
- ii. ensure that proper accounting records are kept which enable the financial statements to be prepared in compliance with the basis of accounting set out in note 2 to the financial statements, and
- iii. ensure the completeness of information concerning property and goods belonging to the Organisation.

Management is also responsible for safeguarding the assets of the Organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management assumes the responsibility to provide, and has provided, the auditor with all accounting records, supporting and other documents, minutes, and any pertinent information and explanations, either orally or by written confirmation, necessary for the audit.

Approval of the financial statements

We hereby approve the accompanying financial statements set out on pages 5 to 8 which shows the fund balance of the Organisation as at 31 December 2014, and its income and expenditure for the period from 1 April 2013 to 31 December 2014, prepared, in all material respects, in accordance with the accounting policies as described in note 2 to the financial statements.

On behalf of Management

Yinh Ya
Executive Director

Suong Sothea
Finance Manager

Siem Reap Province, Kingdom of Cambodia
22 January 2016



Independent auditor's report

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To the Management of Community Translation Organization

We have audited the accompanying financial statements of Community Translation Organisation (“the Organisation”) funded by the Oxfam Great Britain in Cambodia which comprise the statement of fund balance as at 31 December 2014, the statement of income and expenditure for the period from 1 April 2013 to 31 December 2014, and a summary of significant accounting policies and other explanatory notes prepared in accordance with note 2 to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting as described in note 2 to the financial statements, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organisation's preparation of financial statements 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 Organisation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

Certified Public Accountants and Auditors

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Statement of fund balance

	Note	31 December 2014 USD
Surplus income over expenditure		17
Fund transferred to Oxfam Great Britain		(17)
Fund balance, end at period		-

Statement of income and expenditure for the period from 1 April 2013 to 31 December 2014

	Notes	1 April 2013 to 31 December 2014 USD
Income		
Grant income	3	45,182
Expenditure		
Administrative cosst	4	9,572
Programme activities	5	35,593
Total expenditure		45,165
Surplus of income over expenditure		17

Notes to the financial statement

1. Background and principal activities

Community Translation Organization (“CTO” or “the Organisation”) was established on 26 June 2004 and was registered with Cambodia’s Ministry of Interior on 30 June 2009.

The Organisation implements two projects funded by Oxfam Great Britain in Cambodia as listed below:

1. Promotion and strengthening WASH communities in Preah Vihear Province, Cambodia
2. Sustainable forest management and rural livelihood enhancement

The projects ended on 31 December 2014.

The Organisation is located at No 27C, Komay Street, Sangkat Kokchak, Siem Reap Town, Siem Reap Province, Kingdom of Cambodia.

2. Summary of significant accounting policies

Basis of preparation of financial statements

The financial statements which are expressed in United States Dollars (“USD”) have been prepared in accordance the accrual basis of accounting, except for receipts which are recognised on a cash basis. This is a basis of accounting that is designed to meet the requirements and accurately reflect the financial position of the Organisation.

3. Grant income

Grant income received from Oxfam Great Britain in Cambodia for the projects during the period are as follows:

	1 April 2013 to 31 December 2014
	USD
Promoting and strengthening WASH communities in Preah Vihear Province Project	34,822
Sustainable forest management and rural livelihood enhancement	10,360
	45,182

4. Administrative costs

	1 April 2013 to 31 December 2014
	USD
Promoting and strengthening WASH communities in Preah Vihear province project	
Salary expense	6,387
Office rental	607
Telephone and internet	136
Stationery/Printing and office supplies	173
Office utilities	69
Repair and maintenance	72
	7,444
Sustainable forest management and rural livelihood enhancement	
Salary expense	2,128
	9,572

5. Programme activities

	1 April 2013 to 31 December 2014 USD
Promoting and strengthening WASH communities in Preah Vihear province project	
Objective 1: To strengthen the capacity of the government, local NGOs, community-based organizations ("CBOs") and private sectors for effective WASH governance, coordination and project implementation at the national, provincial district and commune levels	2,667
Objective 2: To increase women's in participation and decision making in the WASH sector and equitable access to WASH services	1,696
Objective 3: To promote hygiene behaviour at schools and communities focusing on prevention of infectious diseases, malnutrition and also improving girls/women menstrual hygiene	1,085
Objective 4: To provide equitable access to improved water and sanitation facilities	21,913
	27,361
Sustainable forest management and rural livelihood enhancement	
Local (staff assigned to the action) NGO salary	3,819
Community forestry inventory for community forestry management plan	393
Community forestry legalization	1,987
Community forestry network (community forestry management committee)	1,682
Local (staff assigned to the action) project field staff	351
	8,232
	35,593

6. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between 31 December 2014 until the date of authorisation of these financial statements.

The Projects ended and the remaining fund of USD16 was refund to Oxfam Great Britain in Cambodia on 29 September 2014.

8. Approval of the financial statements

The financial statements were authorised for issuance by the Management of the Organisation 22 January 2016

Part 2: Report on compliance

1. No preparation of vouchers

Finding

In reference to CTO's manual of finance policy, section 3.2.6.5, the accountant and finance officer must prepare all the payment vouchers for all expense concerning to Community Translation's purposes. However we noted vouchers and journals to rectify illegible expenses as listed below were not prepared.

Voucher number	Date	Description	Budget code	Amount USD
PV-054	30-Apr-14	Journal PV005-Wrong account	B1.5	(88.68)
JV023	30-Apr-14	Journal JV003 wrong account code	B.4.2.3	(75.00)
PV 055	30-Apr-14	Revised PV 002=USD7.50, PV 035=USD30.00	B.1.4	(52.50)
PV 055	30-Apr-14	Revised PV 004=USD5.00, PV 046=USD2.50	B.4.1.1	(7.50)
PV 055	30-Apr-14	Revised PV 006=USD2.50	B.3.2	(2.50)
PV 055	30-Apr-14	Revised PV 005=USD2.50, PV 032=USD 5.00, PV 047=USD2.50	B.1.5	(10.00)
PV 055	30-Apr-14	Revised JV 003=USD15.00	B.4.1.5	(15.00)
PV 055	30-Apr-14	Revised PV 032=USD15.00	B.2.1	(15.00)
PV 055	30-Apr-14	Revised PV 032=USD15.00	B.2.2	(15.00)
PV 055	30-Apr-14	Revised PV 032=USD15.00	B.2.3	(15.00)
PV 055	30-Apr-14	Revised PV 046 =USD27.50	B.3.6	(27.00)
PV 055	30-Apr-14	Revised PV 046 =USD2.50	B.4.1.2	(2.50)
PV 055	30-Apr-14	Revised PV 045 =USD45.00	B.4.1.3	(45.00)

Implication

Without preparation of payment voucher and journal vouchers, rectification transactions might not valid and acknowledged by appropriate personnel.

Recommendation

It is recommended that payment vouchers and journal vouchers to rectify the transactions should prepared and signed by authorized personnel. CTO's accounting team should follow the manual to strengthen internal control effectively.

Management's response

Management accepts the finding and recommendation raised by auditor. Management observed that this was the mistake from program team who put the wrong code number then finance officer booked in to wrong transaction. Subsequently this error on booking have been clarified and agreed between CTO and Oxfam finance officer but accidentally CTO finance team missed in preparing JV and PV.

Management will take more attention to avoid this matter for next implementation. It was a lesson learnt in order to strengthen internal control efficiency and involve appropriate person to approve and aware of this case.

2. Non compliance with tax law and regulation

Finding

We noted that the Organisation does not withhold salary tax from its employees and remit them to the tax authority.

Implication

The Organisation may be found to be in breach of Cambodian tax regulations. This could result in the imposition of penalties up to 40% of the unpaid tax, together with interest accruing at the rate of 2% per month.

Recommendation

The Management should review salary subject to taxes and ensure that the related tax payable is paid to the General Department of Taxation in accordance with the Law on Taxation.

Management's response

The Management is not intend to escape of withhold salary tax from employee and pay tax to authority, but during that period CTO were on the transition of Executive Director which need to get the letter approval from Ministry of Interior for this change. Meanwhile, the political situation in Cambodia was not stable after the election then it keeps delayed to get this letter approval from Ministry of Interior. Hence, the Management lacks of supporting document for tax application. However, CTO are now fully fulfil this tax obligation.

3. Improper record of cash borrowing

Finding

We noted that CF-RDD project borrowed cash from WASH project amounting to USD100.00 however it was not recorded in cash book in November 2013. Instead, this borrowing was recorded in February 2014 after Oxfam found the missing.

Implication

Miss recording of transaction will lead to the un reconcile of cash balance per cash book with actual cash on hand and bank.

Recommendation

We recommend all transactions should record in the cash book within the appropriate periods.

Management's response

Management agreed with the finding. Both Finance Officer and Oxfam are aware of this transaction. Unfortunately the Finance Officer missed to record in the journal. Management will take high attention to avoid this breach for future implementation.

4. No fund transfer voucher prepared

Finding

We noted that the Organisation made a refund to Oxfam during the period of USD16, however there was no voucher prepared to support this transaction.

Implication

Without supporting document, it is difficult to verify and check the transaction to accounting record.

Recommendation

We recommend that the fund transferred voucher should be prepared and approved by authorized personnel.

Management's response

Management accepts the finding. Oxfam Finance Officer has already prepared this receipt but yet deliver to CTO Finance Officer. However, Oxfam Finance Officer has presented this receipt to auditor via email. Management commits to avoid this missing gap again in the future.

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Part 3: Report on capacity in managing finance related grant agreement with Oxfam Great Britain in Cambodia

We have reviewed the capacity of Community Translation Organization (“CTO” or “the Organisation”) staff and management in handling grant agreement with the Oxfam Great Britain in Cambodia and report as below:

1. The expected output as a result from the implement the activities as stated in grant agreement were achieved for project “Promotion and Strengthening WASH communities in Preah Vihear Province, Cambodia”.
2. The Organisation’s narrative report was outlined how program/project objectives are being/have been implemented and achieved.
3. The financial report such as budget and actual expenditure, financial statements, petty cash count sheet and bank reconciliation, float register monitoring and share cost report have been sent to Oxfam Great Britain in Cambodia every month. These reports have been signed by responsible staff and director.
4. The financial and project report/program narrative report have been followed by Oxfam’s format. However we noted the non-compliance with grant agreement on the financial and project reports period and the date of submission as shown below;

Promoting and strengthening WASH communities in Preah Vihear provinces project

Type of report	Per Grant Contract		Per CTO	
	Report period	Submission date to Oxfam Great Britain	Report period	Submission date to Oxfam Great Britain
Narrative/Financial report				
Financial report	As monthly	Every 4 th of each month	October 2013 November 2013 December 2013 January 2014 February 2014 March 2014 April 2014	N/A 2 December 2013 1 January 2014 3 February 2014 3 March 2014 1 April 2014 2 May 2014

			May 2014 June 2014 July 2014 August 2014	3 June 2014 2 July 2014 3 August 2014 2 September 2014
Progress narrative and financial report				
Program narrative report	1 October 2013-31 January 2014	5 February 2014	1 October 2013-31 December 2013	3 January 2014
Financial report	1 October 2013-31 January 2014	5 February 2014	No signed report provided to us due to financial report submitted as monthly	No signed report provided to us due to financial report submitted as monthly
Progress narrative and financial report				
Program narrative report	1 February-31 May 2014	5 June 2014	1 February-31 May 2014	31 May 2014
Financial report	1 February-31 May 2014	5 June 2014	No signed report provided to us due to financial report submitted as monthly	No signed report provided to us due to financial report submitted as monthly
Progress narrative and financial report				
Program narrative report.	1 June -31 August 2014	5 September 2014	No signed report provided to us due to this progress report were included with annual report	No signed report provided to us due to this progress report were included with annual report
Financial report	1 June -31 August 2014	5 September 2014	No signed report provided to us due to financial report submitted as monthly	No signed report provided to us due to financial report submitted as monthly
Annual report from 1 October 2013-31 August 2014				
Annual narrative report.	1 October 2013-31 August 2014	5 September 2014	1 October 2013-31 August 2014	31 August 2014
Financial report	1 October 2013-31 August 2014	5 September 2014	No signed report provided to us due to financial report submitted as monthly	No signed report provided to us due to financial report submitted as monthly

- At the end of the projects, the Organisation sent Oxfam Great Britain in Cambodia the photocopied receipts and expenditures with supporting documents for every transaction. Those documents were clear, readable, and certified by Partner organization's stamp with name, position and date.

6. The surplus of income over expenditure has been transferred back to Oxfam Great Britain in Cambodia on 29 September 2014 with respect of the project “Promoting and strengthening WASH communities in Preah Vihear Province project” amounting to USD16.86. The project for “Sustainable forest management and rural livelihood enhancement” has been advanced and settlement with Oxfam on monthly and quarterly basis.
7. Salary tax has not been withhold and paid to tax authority even the Organisation agrees in the Grant Agreement to comply with all applicable laws in Cambodia. The Organisation may have liability for any negligence in tax payment in the future.

Conclusion

CTO achieved the expected output as a result from the implementing the activities as stated in grant agreement and complied with the Oxfam’s format for progress narrative and financial report, except for the non-compliance in the report period and the date of submission report to Oxfam and withholding tax on salary as detailed above.

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