

Centro de Cuidado a Crianca - Casa Vida

REVIEW REPORT

29 April 2024

Name:	Casa Vida
Country / Territory:	Timor-Leste
Central Review provider	Pinnacle Accounting & Business Advisory
Period subject to review:	1 January to 31 December 2023
Date of review:	15 April to 25 April 2024



Pinnacle
Accounting and Business Advisory

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1 EXECUTIVE SUMMARY

Pinnacle Accounting & Business Advisory conducted a review of Casa Vida for the period from 1 January to 31 December 2023. The review was undertaken in accordance with the agreed-upon procedures in the contract between Casa Vida and Pinnacle Accounting & Business Advisory signed on 17 March 2023.

KEY INFORMATION

Description	2023	2022
Total expenses disbursed (US\$)	214,181	214,094
Total expenses sampled (US\$)	194,405	171,661
% sampled	90%	80%
Amount with no supporting documentation (US\$)	-	-
% with no supporting documentation (as a % of total expenses sampled)	-	-

2 AGREED-UPON PROCEDURES REPORT

To:

Centro de Cuidado a Criança - Casa Vida

Bidau Lecidere

Dili, Timor-Leste

In accordance with the agreed-upon procedures that you asked us to perform, we provide our agreed-upon procedures report ("the report"), with respect to the accompanying reporting forms 2023 for the year 01 January to 31 December 2023 (Annex of this report).

OBJECTIVE

Our engagement was a internal control and financial audit, which is an engagement to perform certain agreed-upon procedures with regard to the reports prepared by Casa Vida finance department and to submit to you a report of findings with regard to the procedures performed.

STANDARDS AND ETHICS

Our engagement was undertaken in accordance with:

- ▶ International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-Upon Procedures regarding Financial Information* as promulgated by the International Federation of Accountants ('IFAC'); and
- ▶ The *Code of Ethics for Professional Accountants* issued by IFAC.

PROCEDURES PERFORMED

As requested, we performed the procedures listed in Annex of the request for proposal for this engagement (see Annex I of this report).

These procedures have been determined solely by you and the procedures were performed solely to assist you in evaluating whether the advances and expenditure detailed by the Casa Vida are accurate.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the reporting forms.

Had we performed additional procedures, or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

FINDINGS

The total expenditure which is the subject of this review amounts to US\$214,181. This corresponds to the total amount of disbursements detailed in the reporting forms 2023. We have achieved a coverage of at least 90% of expenditure as required by the agreed-upon procedures.

We report the details of our review findings which result from the procedures that we performed in Section 3 of this report.

USE OF THIS REPORT

This report is solely for the purpose set forth above under 'Objective'.

This report relates only to the reporting forms specified above and does not extend to any of the financial statements.

Yours sincerely,



Paul A. R. Menezes
PARTNER
Pinnacle Accounting & Business
Advisory

29 April 2024

Suite 343, Level
3, Timor Plaza,
Dili, Timor-
Leste

3 REVIEW FINDINGS AND RECOMMENDATIONS

Finding n°: 1	Review of the accounting tools and operations
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Observation:

According to Section 2(d) of the Finance Manual of Casa Vida, the organization is required to use MYOB to track its income and expenditures. However, during our review, we found that MYOB is not being used effectively within Casa Vida. The issue stems from the version of MYOB currently implemented, which lacks the capability to generate General Ledger for a particular account and exports in Excel format efficiently. This limitation hinders further analysis and reduces operational efficiency in generating reports to donors. Additionally, Casa Vida mainly uses Excel to prepare financial reports in its reporting. The simultaneous use of two financial management systems can lead to several issues, including lower operational efficiency, time consumption and increase the risk of human errors.

Recommendation:

To enhance the efficiency of financial management and reporting, it is recommended that Casa Vida consider upgrading to a newer version of MYOB or switching to another accounting software that offers better functionality for detailed analysis.

Additionally, Casa Vida should aim to transition towards using a single accounting software as the primary tool for financial management, with Excel serving as a supplementary tool for specific reporting needs. This approach will streamline processes, reduce the risk of human errors, and improve overall financial oversight.

Priority: Medium

Management comment: The issue of Casa Vida being able to fully utilize the current version of MYOB was identified at our previous Audit. A review project was established October 2023 and nearing completion. An evaluation of the MYOB project outcomes will be undertaken with the CASA VIDA board in June. The improvements being implemented include:

- Online use of MYOB to fully access and function all commands in MYOB software.
- Improved financial reporting.

Finding n°: 2**Review of the withholding tax on rental payment****Observation:**

Casa Vida leases three properties in 2023, the shelter, office and training center. According to Section 55 of Taxes and Duties Act 2008, “Every person (other than a natural person) making a payment to a resident person or a Timor-Leste permanent establishment of a non-resident person of rent for the lease of land or buildings in Timor-Leste shall withhold tax, at the rate of 10%, from the gross amount of the rent paid.” Casa Vida is obligates to withhold 10% from the lease payment and submit the rental tax in the monthly tax return.

Based on our review of 2023, Casa Vida did not withhold taxes for the shelter and training center. This failure to withhold taxes on rental payments is not in compliance with the Taxes and Duties Act of 2008 and could result in penalties.

Furthermore, Casa Vida withheld taxes for the office lease at a rate of 10% monthly. From January to March 2023, Casa Vida withheld \$90 and paid \$900 to the landlord. From April 2023 onwards, Casa Vida withheld \$100 and paid \$1,000 to the landlord. However, this method of withholding is not aligned with Section 55 of the Taxes and Duties Act of 2008, which requires withholding 10% from the **gross amount**.

If the net payment to the landlord was \$1,000, the calculation of the withholding tax on the rental payment should be as follows.

Gross amount	USD 1,111.11
Withholding tax on lease payment	USD 111.11
Net payment to the landlord	USD 1,000

Recommendation:

We suggest that Casa Vida take one of two actions to rectify this situation. First, Casa Vida should begin withholding the correct amount of tax on future rent payments to ensure compliance with their tax obligations. Alternatively, they could contact the landlord to request proof that the necessary taxes have already been paid. This would verify that all tax-related responsibilities have been appropriately managed.

Priority: Medium

Management comment: The Finance Manager and Director will meet with the owner of the properties to verify about the Withholding Tax this will provide much more clear agreement about the Rent Tax. Last year the agreement of two parties it was the owner pays the withholding Tax. For future computation of the withholding tax, we will compute the accurate and right amount for further future payment of rent Tax.

Finding n°: 3**Review of the payment approval process****Observation:**

According to Section 2(b) of the Finance Manual of Casa Vida, the organization adopts a four-layer segregation of duties in the payment cycle. This includes a bank signatory authorized to sign checks, a director to approve payment requests, a finance assistant to prepare payment vouchers and checks, and a finance manager to review the payments. During our review, we noted that some payments were processed without the signature of the approver. The absence of an approval mechanism can lead to several risks, including increased chances of unauthorized transactions and non-compliance with internal controls.

Recommendation:

We recommend that Casa Vida ensure all payments go through the four steps of the payment process before processing. In the event of the approver is unavailable, Casa Vida should endeavor to obtain approval remotely via email. This measure will help reduce the risk of manipulation and unauthorized transactions, thereby protecting the assets of Casa Vida.

Priority: Medium

Management comment: As recommend our New Director and our Finance Manager will review and implement all changes for the Request Procedure and process including, where necessary the request for payment approved by and subsequent signature to ensure transactions are approved by timely payment.

Finding n°: 4**Review of the procedures of internal control****Observation:**

During 2023, W-Four is the preferred supplier for Casa Vida, which is authorized to receive goods from W-Four in advance and pay later. However, there is no documentation about how W-Four was selected as the preferred supplier for Casa Vida. Additionally, there is no formal contract between W-Four and Casa Vida that permits Casa Vida to obtain goods from W-Four in advance. The absence of a proper contract could lead to potential legal consequences, such as being accused of theft and payment dispute.

Recommendation:

We recommend that Casa Vida conduct a thorough evaluation of their preferred suppliers, comparing various suppliers to select one that offers the best value for money. This evaluation should be conducted annually or biennially. Casa Vida should also establish a formal contract with the preferred supplier to explicitly authorize the advance receipt of goods and deferred payment. This measure would help prevent any potential legal issues.

Priority: Medium

Management comment: CASA VIDA will develop and implement preferred Approval and Agreements process in all areas of regular supply by external Organization. The Administration of preferred supplier Agreements will be undertaken by the Finance Manager. This will include biennial evaluations of all suppliers

Finding n°: 5**The use of Manual HR system****Observation:**

This manual method requires the HR department to convert the information into digital timesheets at the end of each month. Such a process can lead to multiple issues, including increased risk of human risk, increased time consumption and lower efficiency.

Recommendation:

We recommend that Casa Vida transition to an automated attendance system, such as a digital time tracking software, to improve accuracy and efficiency in monitoring employee attendance while reducing potential errors and weaknesses.

Priority: Low

Management comments: An Automated attendance system project was established in 2023 and the outcome is that CASA VIDA has now launched our Biometric Finger print Attendance system across CASA VIDA.

4 ANNEXES

ANNEX I: AGREED-UPON PROCEDURES PERFORMED

Disbursements of Casa Vida Funds		
Item	Casa Vida Objectives	Procedures
1	Completeness checks to identify significant discrepancies. Thorough reconciliation with the control account, and verify the accuracy of funding received.	Reconcile the general ledger managed by the finance department with corresponding bank statements. Cross-reference payments with respective invoices and confirm the accuracy of beneficiary information in bank records.
2	Payments were incurred in accordance with respective policies, contracts and agreements, and relate exclusively to Casa Vida and are adequately supported by all necessary contracts, documents, records and accounts, which are maintained properly. Identification of conflicts of interest/non-compliance with code of conduct/policies. Validation of any Tax liabilities/reimbursements.	Check all individual payments over the amount of USD\$100 to a total coverage of at least 80% of the expenses made by Casa Vida. In particular, payments below are closely examined. ► Individual Payments: Identify and report on the incidence of payments made without supporting third-party documentation such as goods/services purchase agreements, invoices, employment contracts, receipts and vouchers, both in terms of nominal value and as a percentage of expenses tested ► Procurement Procedures: Verify that the procurement procedures carried out for those single or aggregate of transactions which are above US\$500, in line with financial manual and any other applicable Regulations (e.g. local law) ► Potential conflict of interest: Verify that a potential conflict of interest and report on potential conflict of interest occurrence in the disbursement of Casa Vida funds. ► Breach of local law: Identify any breach of any local laws ► Project funds: Identify any payments made outside the scope of projects in terms of nominal value and the ultimate destination of any such payments.
3	Level of cash payments	Report the incidence of payments made in cash as a percentage of the expenses tested.
Regulatory Compliance: other obligations		
4	Assess the financial maturity level	Meet the Financial Manager and report his comments in the challenges and issues that he identifies in financial management and project management of Casa Vida, providing an opinion on the maturity level of financial operations and management.

Disbursements of Casa Vida		
Item	Casa Vida Objectives	Procedures
Funding for or to Subsequent Recipients (grant and loan related):		
5	Evaluate the accuracy and efficiency of payroll system	▶ Conduct interviews with finance and HR manager to understand the process of payroll. ▶ Obtain samples of contract and reconcile with the monthly salary paid. ▶ Ensure the salaries are paid to the employees' bank account and not the other accounts. ▶ Examine the attendance system that used by Casa Vida and evaluate the efficiency.

Statement of Comprehensive Income

Casa Vida

For the year ended 31 December 2023

	NOTES	2023	2022
Statement of Profit/Loss			
Donation	4	125,810	99,888
MSSI Grant		58,000	59,260
Fundraising		18,710	-
Refunds		4,529	832
Social Enterprise Donation	5	8,530	11,700
Sale of Motor Vehicle		3,000	-
Total Income		218,579	171,679
Operating Expenses			
Audit Fee		1,800	1,800
Bank Fees		687	748
Electricity	6	5,960	7,650
Employee Benefit Expense	7	105,797	104,983
Repair & Maintenance	8	2,956	3,248
Rental Expense	9	37,260	34,380
Motor Vehicle Expense	10	9,450	10,562
Training Expense	11	10,522	9,285
School Expense	12	4,766	3,738
Shelter Expense	13	31,401	21,948
Entertainment		-	825
General Expenses		676	44
Office Supplies		1,441	3,133
Office Equipment		-	1,970
Refund		-	7,258
Telephone & Internet		1,467	2,522
Total Expense		214,181	214,094
Net Surplus		4,399	(42,416)

Notes to the Financial Statements

Casa Vida

For the year ended 31 December 2023

1. Statement of Significant Accounting Policies

The directors of Casa Vida have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purposes financial statements that have been prepared in order to meet the requirements of the Taxes and Duties Act 2008

The financial statements have been prepared in accordance with the significant accounting policies disclosed below which the directors of Casa Vida have determined are appropriate to meet the needs of the Taxes and Duties Act 2008. Such accounting policies are consistent with the previous period unless stated otherwise.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of these financial statements

2. Basis of preparation

The financial statements have been prepared by applying the cash basis and going concern basis of accounting. They are based on historical costs and do not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

3. Significant accounting policies

3.1 Income Tax

The income tax expense / (revenue) for the year comprises current income tax expense / (income) and deferred tax expense / (income). Current and deferred income tax expense / (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income

3.2 Current Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities / (assets) are therefore measured at the amounts expected to be paid to / (recovered from) the relevant taxation authority. Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

3.3 Deferred Tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

3.4 Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property, land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction). Valuations are performed whenever the Directors believe there has been a material movement in the value of the assets. Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the related revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss and other comprehensive income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment Plant and equipment are measured at cost less depreciation and impairment losses. The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

3.5 Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leased assets and leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

3.6 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income. Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3.7 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

3.8 Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods. Revenue relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. All revenue is stated net of the amount of Sale or Service Tax.

3.9 Employee Benefits

Employee benefits are any in-kind rewards for services provided by an employer to an employee in which are not part of employee's remuneration and considered to be deductible to the employer. Examples of such benefits include any meal, refreshment, or entertainment in the course of providing a good or service for the employer where the cost of provision for the employer is reasonable.

	2023	2022
4. Donation		
DIMES Donation	54,852	48,965
Defence Corp Program Donation	250	-
SASCAS Donation	15,000	-
Timor One Donation	600	-
VFC Donation	10,302	-
Hau Timor Donation	538	1,492
Private Donoation	29,024	33,315
Yoralla Donation	15,244	16,116
Total Donation	125,810	99,888
	2023	2022

5. Social Enterprise Donation

Donation from Aroma Cafe	6,885	6,540
Donation from Arte Vida	1,645	5,160
Total Social Enterprise Donation	8,530	11,700
	2023	2022

6. Electricity

Electricity - Office	1,270	2,690
Electricity - Shelter	4,040	3,860
Electricity - Training Center	650	1,100
Total Electricity	5,960	7,650
	2023	2022

7. Employee Benefits

Compensation for Employment Termination	5,075	-
Allowance	7,159	8,726
Social Security Contribution	8,120	10,218
Wages and Salaries	85,443	86,039
Total Employee Benefits	105,797	104,983
	2023	2022

8. Repair & Maintenance

Repair & Maintenance - Training Center	1,286	410
Repair & Maintenance - Office	398	1,971
Repair & Maintenance - Shelter	1,272	868
Total Repair & Maintenance	2,956	3,248

	2023	2022
9. Rental Expense		
Rent - Accomodiation	20,000	16,500
Rent - Office	12,260	11,880
Rent - Training Center	5,000	6,000
Total Rental Expense	37,260	34,380

	2023	2022
10. Motor Vehicle Expense		
Motor Vehicle - Maintainence	4,367	2,055
Motor Vehicle - Fuel	5,083	8,507
Total Motor Vehicle Expense	9,450	10,562

	2023	2022
11. Training Expense		
Training Fee	6,805	5,559
Training Materials	3,717	3,726
Total Training Expense	10,522	9,285

	2023	2022
12. School Expense		
School Fee	3,810	1,510
School material	496	1,058
School Uniform	460	1,170
Total School Expense	4,766	3,738

	2023	2022
13. Shelter Expense		
Shelter - Gas	1,677	2,475
Shelter - Food	25,439	16,443
Shelter - Material	4,175	2,466
Shelter - Medicine	110	564
Total Shelter Expense	31,401	21,948