

EMPOWERMENT OF CIVIL SOCIETY IN ODDAR MEANCHEY

**UNDERTAKEN BY AGRICULTURAL DEVELOPMENT DENMARK ASIA,
RURAL ECONOMICS AND AGRICULTURAL DEVELOPMENT AGENCY, COMMUNITY-BASED
INTEGRATED DEVELOPMENT ORGANISATION, RURAL COMMUNITY AND ENVIRONMENTAL
DEVELOPMENT ORGANISATION AND KHMER BUDDHIST ASSOCIATION**

FUNDED BY DANIDA/CIVIL SOCIETY IN DEVELOPMENT FUND

**MANAGEMENT LETTER
FOR THE YEAR ENDED 31 DECEMBER 2014**

The Project Management
Salakamraek Village
ADDA Road
P.O Box 932 333
Siem Reap Province
Kingdom of Cambodia

Our Ref: BDO/LSS/AS/SSP
Date:

Dear Sirs

**EMPOWERMENT OF CIVIL SOCIETY IN ODDAR MEANCHEY
AGREED UPON PROCEDURES FOR THE YEAR ENDED 31 DECEMBER 2014**

As part of our agreed upon procedures as stated in the engagement letter dated 18 December 2013, we have performed procedures solely to ascertain the appropriateness of the usage of the grant funds provided by DANIDA/Civil Society in Development Fund for the financial year ended 31 December 2014. We set out in the attached report certain matters which came to our attention during the course of our engagement and which we feel should be formerly drawn to your attention.

It should be appreciated that the matters dealt with in this report came to our attention during the conduct of our agreed upon procedures. Our comments cannot therefore be expected to identify all possible improvement in internal control which a more extensive examination might develop. This report details the more significant items which came to our attention during the engagement.

We have prepared this report solely for the use of the Project. As you know, this report forms part of the continuing dialogue between the Project and us, and therefore, it is intended to include all matters that have come to our attention. For this reason, we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept any responsibility for any reliance that they might place on it.

We would appreciate your response and comments enclosed in the attached report.

Finally we would like to acknowledge the assistance and co-operation extended to us by your staffs during the course of the engagement.

Yours faithfully

BDO (Cambodia) Limited
Encl.

EMPOWERMENT OF CIVIL SOCIETY IN ODDAR MEANCHEY

Undertaken by Agricultural Development Denmark Asia, Rural Economics and Agricultural Development Agency, Community-based Integrated Development Organisation, Rural Community and Environment Development Organisation, Khmer Buddhist Association

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1. Negative cash balance**Finding**

According to the ADDA's Financial Manual, Cambodia Version 1, "*petty cash need to be replenished at the end of every end of the month or when the cash balances reach an amount equivalent to less than 50% of the petty cash fund level, whichever comes first*". However, we noted that petty cash balance of ADDA at the end of April, May, July and September 2014 were shown in negative balances, which represent a departure the from requirement of the Financial Manual.

Implication

Incompliance with the Project's Financial Manual will resulted in a negative bank balance.

Recommendation

We recommend that the petty cash should be replenished in compliance with the requirement of the Financial Manual.

Management's response

Replenish petty cash in compliance with the requirement of the Financial Manual. This answer is interlinked to the recommendation and responses regarding "Control of petty cash".

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2. Control of petty cash**Finding**

During the course of our engagement, we noted that petty cash of the Project is kept comingled with other projects' petty cash.

Implication

Without properly segregating the Project's petty cash balance from the other projects, the Project Management might face difficulties in controlling the petty cash balance of the Project and to ensure whether the petty cash was spend in accordance with the objectives of the Project.

Recommendation

We recommend that the petty cash of the Project should be kept separately from other projects.

Management's response

Petty cash of the Project will be kept separately from other projects.

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3. Recording of transactions

Finding

During the course of our engagement, we noted that there were inconsistencies in recording **transactions reference** number in the accounting system and in the payment vouchers ("PVs"). In addition, there were also certain PVs without reference numbers. For example:

Inconsistent reference numbers

Date	Ref No. Per PVs	Ref No. Per GL	Description
28-Feb-14	CIDO-PV496	CIDO-PV508	Fuel allowance for (6CP) February 2014
28-Jul-14	CIDO-CPV669	CIDO-PV683	Paid for salary to 5CPs July/2014
30-Sep-14	CIDO-CPV731	CIDO-PV744	Paid for salary to 7CPs Sept 2014

PVs without reference numbers

Date	Ref No. Per GL	Description	Amount (US\$)
23-May-14	KBA-PV424	diesel for car 83.31 litter	98
26-Jun-14	KBA-PV466	Office rental sharing cost in June 2014	100
26-Dec-14	KBA-PV659	Payment of diesel and repairing of vehicle	184

Implication

Inconsistent reference number between the accounting system and PVs might cause difficulties in tracing those transactions to the accounting records, which may lead to errors or mistake remaining unresolved.

Recommendation

We recommend that consistent reference numbers be used to record transactions.

Management's response

Consistent reference numbers will be used to record transactions.

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4. Payments made without payment vouchers

Findings

During our course of engagement, we noted certain payments were made without PVs. For example:

Date	PV No.	Description	Amount (US\$)
31-Jul-14	ADDA-PV232	Share office rent in May, Jun and Jul-14	450
30-May-14	RCEDO-PV463	Bank charge	6

Implication

There is no audit trail to indicate whether the payments recorded in the system have been reviewed and approved.

Recommendation

We recommend that all payments made must be supported with PVs, which have been reviewed and approval by authorised person prior posting into the system.

Management's response

All payments made will be supported with PVs, which have been reviewed and approval by authorised person prior posting into the system.

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5. "PAID" stamp on payment vouchers

Finding

We noted that certain PVs were not stamped "PAID" after being recorded into the system and paid. For example:

Date	PV No.	Description	Amount (US\$)
27-Jun-14	KBA-PV472	CPs transportation cast working at target area	179
29-Aug-14	CIDO-PV715	Additional vegetable seed pur- for 16 SHG (Batch1 & Batch2)	800
24-Nov-14	RCEDO-PV688	Purchase Chicken & Vaccine for FFS	2,878

Implication

The absence of "PAID" stamp on the PVs could lead to double payments on the same expenditures and double recording of transactions into the system.

Recommendation

All PVs and supporting invoices should be marked "PAID" after payments were made and recorded into system in order to prevent re-use.

Management's response

All PVs and supporting invoices will be marked "PAID" after payments made and recorded into system in order to prevent re-use.

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6. Approval of payment vouchers

Finding

During the course of our engagement, we noted that certain PVs did not contain the approval signature. For example:

Date	PV No.	Description	Amount (US\$)
24-Jul-14	RCEDO-PV536	Refreshment for 7 FFS Participation Training	43
17-Nov-14	RCEDO-PV680	Refreshment for 3 FFS Training	18
24-Nov-14	RCEDO-PV688	Purchase Chicken & Vaccine for FFS	2,878

Implication

There is no audit trail to indicate whether the payments recorded in the system have been reviewed and approved.

Recommendation

We recommend that PVs be made must be approved by authorised person prior the payments are made and posted into the system.

Management's response

It has a very few advance request form that missed the signature from ED.

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7. Purchase of water tanks

Finding

During the course of our engagement, we noted that actual price of water tanks purchased was higher than the price in the quotation, as follows:

Date	PV No.	Description	Amount paid (US\$)	Amount per quotation (US\$)
27-Feb-14	RCEDO-PV357	Water tanks purchased (watering cans)	175	164

Implication

This practice was not in compliance with the Financial Manual of the ADDA. This may potentially result in over-spending of Project's expenditures as compared to the budget.

Recommendation

We recommend that the Project should make purchases based on quotations which are obtained competitively.

Management's response

In this point, I would like to explain you that based on the real situation and agreed the project management, RCEDO decided to purchase water tanks by extracted and negotiated from the existing quotation in February 2014 with higher price than the quoted date in January 2014 because the price is higher than before.