



**BUDDHISM FOR SOCIAL DEVELOPMENT ACTION (“BSDA”)
MANAGEMENT LETTER
FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013**

BUDDHISM FOR SOCIAL DEVELOPMENT ACTION

MANAGEMENT LETTER

FOR THE PERIOD FROM 1 JANAUARY 2013 TO 31 DECEMBER 2013

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Board of Directors and Management

BUDDHISM FOR SOCIAL DEVELOPMENT ACTION ("BSDA")

House#06, Village 12, Kampong Cham Commune,
Kampong Cham Town, Kampong Cham Province, Kingdom of Cambodia

MANAGEMENT LETTER

FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

We have the pleasure to enclose our Management Letter following the completion of the audit of the financial statements of Buddhism for Social Development Action ("the Organization"), which comprise of the statement of financial position as of 31 December 2013 and the statement of activities and the statement of cash flows for the period from 1 January 2013 to 31 December 2013, during which we examined certain aspects of the Organization's system of internal control.

We have identified a number of areas where we believe it is appropriate for the Management to consider improvements to the accounting and internal control systems. Our recommendations have been set out in the attached report. The facts and our recommendations have been discussed with various responsible officials from the entity and their comments have been incorporated into text.

It must be appreciated that the matters raised in this report came to our attention during the conduct of our normal audit procedures which are designed primarily with a view to the expression of our opinion on the year end accounts. Our comments cannot, therefore, be expected to include all possible improvements in internal controls, which a more extensive special examination might reveal.

We would like to take this opportunity to express our appreciation for the co-operation we received from the Management and all staff during the course of our audit and hope to receive the same support and assistance in our future audits.

Yours faithfully,
APV (Cambodia) Co., Ltd



Maria Isabelita C. Manzon-Cabrera
Phnom Penh, Kingdom of Cambodia

Date: 17 OCTOBER 2014

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1- CASH AND BANK

1.1 Void cheque

Observation

During our audit, we observed that the some voided cheques that already filled in the name, date, amount and signed by authorized person were not crossed or void to make it invalid.

Implication

A bank cheque is the instrument used to withdraw money from bank and someone can withdraw money from bank when those cheques were signed by authorized person before six months from the issued date. Failure to void cheques can because it be stolen and presented to the bank for withdrawal,

Recommendation

We would recommend voided cheques should be crossed out and kept properly in safe box.

Management's response

We agree with the auditors' observation and recommendation.

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1.2 Update passbooks

Observation

The passbook is like the bank statement which is a record updated by the bank reflecting all the transactions of each savings bank account. We noted the passbooks were not updated regularly and timely.

Implication

Failure to update passbooks can lead to irregularities and errors that may not be detected and adjusted on timely basis. In addition, the Organization's bank balance could be different from the bank record and our record.

Recommendation

We would recommend that the passbooks should be updated at least at the end of each month.

Management's response

We agree with the auditors' observation and recommendation. We will update the passbook at the end of each month.

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2- SUPPORTING DOCUMENTS

2.1 Sub-reference number

Observation

The sub-reference number is not written on the vouchers to reference the supporting expense such as invoice, receipt and other supporting documents.

We found some of vouchers did not have a sub-reference number of the supporting documents.

Implication

In the absence of sub-reference number, more time will be consumed by the reviewer and approver in re-calculating the group of total expense in the voucher. In addition, the sub-reference number determines the number of receipts or invoices claimed in the voucher to avoid any losses of receipts or invoice in the future.

Recommendation

Finance staff should summarize the sub-reference number to the supporting receipt or invoice to avoid the implication above.

Management's response

We agree with the auditors' observation and recommendation. The Finance staff should summarize the sub-reference number to the supporting receipt or invoice to avoid the implication above.

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3- RECORDING

3.1 Grant receipts

Observation

We observed that the some grants received from donors were recorded by the net amount of the grants received after deduction of the transfer fees.

Implication

If grant transfers from donors are recorded as grant incomes from net amount of transfers after deduction of transfer fees, these will lead to understatement of grants received equivalent to the amount of transfer.

Recommendation

The grants received from donors should be recorded at gross amount of the transfer.

For example:

Dr. Bank	9,990	
Dr. Bank charged	10	
Cr. Grant Income		10,000

Management's response

We agree with the auditors' observation and recommendation. We will ask for Credit Advice from bank to record grant income and bank charged.

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3.2 Loan recording

Observation

The Smile restaurant and MKK project provided loans to students and Samaki restaurant without proper recording and clear settlement procedure.

In addition, the loans provided were recorded as expenses and loan settlement were recorded as income.

Implication

If the loans provided are considered as expenses, it overstates the expenses; and if the loan settlements are considered as income, it overstates the income.

Recommendation

We would recommend that the Organization should create proper system to control loan transactions.

The loans provided should be recorded as loan and loan settlements should be recorded as settlement of the loan balances.

Loan Provided

Dr. Loan	xxx	
Cr. Cash on hand/Bank		xxx

Loan Settlement

Dr. Cash on hand/Bank	xxx	
Cr. Loan		xxx

Management's response

We agree with the auditors' observation and recommendation. We will improve our loan monitoring system that can control loan and loan settlement.

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4- POLICIES AND PROCEDURES

4.1 Policies and procedures for Smile Restaurant

Observation

The Smile restaurant is a business entity rather than a non-profit organization and is has different types of business activities. It should have a different set of policies and procedures. We noted that there is not a separate written accounting policies and procedures that can be used as a guidance for accounting staff to implement.

Implication

Accounting policies and procedures play important roles in directing the restaurant's staff to carry out their jobs appropriately. It also strengthens the good governance of the restaurant and increases outside stakeholders' confidence on the restaurant. Without appropriate accounting policies and procedures, it could cause a high risk of misstatements in financial statements due to a limitation of internal control.

Recommendation

We would recommend that the Organization should create proper set of policies and procedures for Smile restaurant as guidance for staff to implement.

Management's response

We agree with the auditors' observation and recommendation. However, we will create financial policies and procedures for Smile restaurant in year 2014.

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5. STATUS OF PRIOR YEAR RECOMMENDATIONS

RECOMMENDATIONS	STATUS
1. There is no physical count of the fixed asset	
Physical counts of non-expendable equipment should be performed at least once a year. The result should be properly documented, reviewed and approved by an authorized person.	Implemented
2. Fixed assets register not updated and not compared with GL	
Proper reconciliation of the non-expendable equipment between the general ledger and the register should be performed regularly.	Partially implemented
3. There are no tags on fixed assets	
All non-expendable equipment should be tagged with a unique identification code; each code should be recorded in the non-expendable equipment register for identification purposes.	Partially implemented
4. Ownership of motor and vehicle is not of the Organization	
The Management should register the ownership of the vehicle in the Organization's name.	Partially implemented
5. There is no withholding tax on rental for Smile restaurant	
The Management should review all payments subject to withholding tax and ensure that the tax is paid to the GDT in accordance with the withholding tax regulations.	Not implemented
6. No accounting software	
The Organization should consider obtaining simple accounting software to process its transactions. This will help ensure the integrity of data and the accurate processing of transactions.	Not implemented

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**MANAGEMENT REPORT
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5. STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUES)

RECOMMENDATIONS	STATUS
7. Reference not consistent with GL and Voucher	
The Management should review the accounting records at least once a month to ensure the accuracy of the accounting records and vouchers. Any deficiencies should be investigated and resolved accordingly.	Mostly implemented
8. Pre-numbering is handwritten	
Printed and sequentially pre-numbered vouchers should be used as a reference in recording transactions in the general ledger to ensure their completeness. Missing or duplicate reference numbers should be investigated accordingly.	Mostly implemented
9. Lack of supporting documents	
All the payment vouchers attached with supporting documents should be reviewed and approved by Management before any payment.	Implemented
10. No approval on PV and RV of restaurant	
Pre-numbered Receipt Vouchers should be reviewed and approved by the Management and at the end of each week/month. In addition, the Organization should account for the completeness of receipts recorded by checking the sequence of Receipt Vouchers.	Implemented
11. Bank reconciliation for restaurant	
Bank reconciliations should be prepared on a monthly basic. The reconciliation should be reviewed and signed by the restaurant management as evidence of review.	Implemented

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5. STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUES)

RECOMMENDATIONS	STATUS
12. No segregation of duties for cashier of restaurant	
The Organization's Management should ensure that different individual is responsible for the cash record, handling, and reviewing the accounting entries.	Implemented
13. Cash reconciliation for restaurant	
The daily cash book/cash reconciliation should be initialed by the preparer and reviewed by the management of the restaurant and documented as an evidence of checking with the person initialing and dating. The balance should be reconciled to the general ledger and the actual cash.	Implemented
14. Using adjusting vouchers	
The Management should carefully review and ensure that all adjustments should be made using the correct form, approved and authorized before being posted in the general ledger. These must be appropriately supported by the relevant supporting documents.	Implemented
15. No supporting documents	
The Management should ensure that all transactions are properly supported with duly supporting evidence.	Implemented

