

BAC

បារ៉ាចាឃណា ខេត្តសាវ័រដីង
Barachina Consulting Co., Ltd

MOTHER'S HEART

INTERNAL CONTROL REPORT

For the Fiscal Year ended June 30, 2017

12th December 2017

Ms. Emily Scott
Country Director
Mother's Heart
Phnom Penh, Cambodia

**RE: MEMORANDUM ON REVIEW OF INTERNAL ACCOUNTING CONTROLS
MOTHER'S HEART**

As part of our financial audit of Mother's Heart for the fiscal year ended June 30, 2017 we reviewed its existing system of internal accounting controls and other accounting matters.

This memorandum sets forth specific findings and recommendations resulting from such review. These findings and recommendations do not, of course, disclose all possible improvements which a more extensive review might develop but only those which came to our attention during our review of the accounts.

On the overall, the existing system of internal accounting controls and administrative efficiency is generally adequate. However, we noted an area which could further be improved.

Please see enclosed the memorandum of internal accounting controls. These include the observation, recommendations and management comments. These findings were discussed and verified with any of the staff concerned. Recommendations are given in details so that the management can implement effectively for the improvement of accounting and systems control.

We appreciate the courtesies and cooperation accorded to us by management and staff during the course of our special financial review.


បារ៉ាឡាណា ខេសាវ៉ាស៊ី
BARACHINA CONSULTING
Barachina Consulting Co., Ltd

**MOTHER'S HEART
INTERNAL CONTROL REPORT
JUNE 30, 2017**

STATUS OF PRIOR PERIOD [June 2016] RECOMMENDATIONS

Prior Year's Recommendations	Status: Implemented Partly Implemented Not Implemented	Comments/Remarks
1. A.1. Chart of accounts and reporting	Implemented	
1.B.1 Surprise cash count	Implemented	
1.C.1 Stamp 'PAID' on the finance voucher 1.C.2 Three price quotations 1.C.3 Self approval on the expenses	Implemented	
1.D.1 Staff indemnity fund 1.D.2 NSSF Payments	Implemented	
2.A.1 Non-preparation of Journal Voucher for adjustment 2.A.2 Withholding tax not withheld	Implemented	
3.A.1 Emergency fund establishment	Not Implemented	
3A.2 Proper voucher preparation	Implemented	
3A.3 Limit Reimbursement claims over Cash advance request	Implemented	

**MOTHER'S HEART
INTERNAL CONTROL REPORT
JUNE 30, 2017**

CURRENT YEARS RECOMMENDATIONS

1. No Emergency funds established

Condition

We found out that the organization still do not have any Emergency fund established.

Implication

Life in Cambodia can still be uncertain at times particularly during election year. Further, there are many factors that makes working in Cambodia and being a non-government organization susceptible to donor giving fluctuation. When these uncertainties give way to reality and happens, having no established Emergency funds can mean the organization may suffer and may end up borrowing from other sources [with interest] in order to continue its operations.

Recommendation

Management with the board of directors should consider setting up Emergency funds for such uncertain situations that may arise so as to prevent borrowings with interest and to have available funds ready in the event that a crisis occurs.

Management's Response

We see this as an important need for Mother's Heart, but have not had the income to put funding aside for emergency purposes.

MOTHER'S HEART
INTERNAL CONTROL REPORT
JUNE 30, 2017

2. Finance team from time to time should checked if there's any new financial policy being introduced by the government

Condition

We found out that the organization was not invited in the Public Consultation Meeting on Draft Cambodian Financial Reporting Standard for Not-For-Profit Entities conducted by the Ministry of Economy & Finance.

Implication

With the new laws regarding the reporting standard to be follow by the Not-For-Profit Entities and stricter implementations regarding taxations, Mother's Heart needs to be up to date to avoid any penalties in the future.

Recommendation

We recommend that the Finance needs to visit the Ministry of Economy and Finance for any updates regarding the Not-For-Profit Entities and also the General Department of Taxation as well as requesting them to include Mother's Heart in the list of participants in any future forum or information dissemination.

Management's Response

This is an important recommendation. The finance team will visit the Ministry of Economy and Finance for any updates regarding the Not-For-Profit Entities and also the General Department of Taxation as well as requesting them to include Mother's Heart in the list of participants in any future forum or information dissemination.