

HIV & AIDS in the Education Sector in Cambodia

Prepared by DFPTT and ICHA Secretariat
under the direction of Patrick Duong
and H.E Im Sethy

Royal Government of Cambodia.
Ministry of Education, Youth and Sport.
Interdepartmental Committee for HIV & AIDS (ICHA)

Published with the support of the SCRH Programme.
A multi-donor programme led by DFID and financially managed by UNDP.

Financial Procedure Manual for Strengthening
Cambodia's Response to HIV and AIDS Programme

Fact
Sheet: 6
2007

**Fact
Sheet: 6
Feb 2007**

CONTENT:

HIV/AIDS in the Education Sector in Cambodia

Financial Procedure Manual for Strengthening Cambodia's Response to HIV & AIDS Programme

Preliminary note:

by His Excellency Im Sethy, Secretary of State

Introduction

1. INTRODUCTION	1
1.1 PURPOSE OF PROCEDURES.....	1
1.2 REVISION OF PROCEDURES.....	1
2. ACCOUNTING FRAMEWORK	2
BACKGROUND	2
2.1 CHART OF ACCOUNTS	3
2.2 SAMPLE CHART OF ACCOUNTS.....	5
3. INTERNAL CONTROLS	16
3.1 THE INTERNAL CONTROL SYSTEM	16
4. ROLES AND RESPONSIBILITIES IN ACCOUNTING FUNCTION	20
5. CASH AND BANK	23
5.1 CASH ON HAND (OR PETTY CASH)	23
5.1.1 Establishment of the Petty Cash	23
5.1.2 Custody	23
5.1.3 Payment	23
5.1.4 Replenishment	23
5.2 CASH IN BANK.....	24
5.2.1 Custody	24
5.2.2 Receipts	24
5.2.3 Payments	25
5.2.4 Bank Reconciliation.....	25
6. CASH ADVANCES (PER DIEMS, ALLOWANCES)	26

6.1	REQUESTS AND PAYMENT	26
6.2	CLEARANCE AND PAYMENT FOR PER DIEMS, ALLOWANCES	26
6.3	RECONCILIATION.....	27
7.	BUDGET PREPARATION AND CONTROL	28
7.1	BUDGET PREPARATION	28
7.1.1	Policy.....	28
7.1.2	Annual Budget (AB).....	28
7.1.3	Quarterly Budget (QB).....	28
7.1.4	Budget Approval Authority.....	29
7.1.5	Roles and Responsibilities	29
7.2	ANNUAL WORK PLAN (AWP).....	30
7.2.1	Purpose of AWP	30
7.2.2	Planning Process	30
7.2.3	Policy and Strategies.....	31
7.2.4	Procedures	31
7.3	BUDGET REVISION	31
7.3.1	Rationale	31
7.3.2	Policy.....	32
7.3.3	Procedures	32
7.4	BUDGETARY CONTROLS.....	32
7.4.1	Budgetary control at transaction levels	32
7.4.2	Monthly Budgetary control.....	33
7.4.3	Quarterly Budgetary Control.....	33
7.4.4	Annual Budgetary control.....	33
8.	PROCUREMENT PROCEDURES.....	34
8.1	INTRODUCTION.....	34
8.1.2	Scope of the Policy.....	34
8.1.3	Definition	34
8.2	POLICY	34
8.2.1	Procurement of Goods	34

8.2.2	Procurement of Services	35
9.	COMPUTERIZED ACCOUNTING SYSTEM MANAGEMENT	38
9.1	ACCOUNTING SYSTEM APPLICATION	38
9.2	ACCESS AND AUTHORITY	38
9.3	SAFEGUARD AND SECURITY	38
10.	FIXED ASSETS AND INVENTORY PROCEDURES	39
10.1	FIXED ASSETS (NON EXPENDABLE ITEMS)	39
10.1.1	Rationale	39
10.1.2	Accounting for Fixed Assets	39
10.1.3	Fixed Asset Acquisition	39
10.1.4	Disposal.....	40
10.1.5	Fixed Assets Count	41
10.1.6	Utilizations	41
10.1.7	Idle Fixed Assets	41
10.1.8	Disposed off assets and fully depreciated assets	41
10.2	INVENTORY (EXPENDABLE ITEMS).....	42
10.2.1	Introduction.....	42
10.2.2	Material.....	42
10.2.3	Policy.....	42
10.2.4	Record keeping	42
10.2.5	Physical Counts.....	43
10.2.6	Roles and Responsibilities	43
10.2.7	Reconciliation	43
11.	VEHICLE LOG PROCEDURES.....	44
12.	AUDIT PROTOCOLS.....	45
12.1	DEFINITION	45
12.2	OBJECTIVES	45
12.3	SCOPE.....	45
12.4	AUDIT PROCESS	46
12.5	AUDIT DELIVERABLES.....	46



12.6	APPOINTMENT OF THE AUDITORS.....	47
12.7	AUDIT FOLLOW-UP.....	47
13.	FINANCIAL REPORTING.....	48
14.	MONTH-END PROCEDURES.....	49
15.	YEAR-END PROCEDURES.....	50
16.	LIST OF APPENDIXES AND ANNEXES.....	52
17.	TABLE OF REVISION.....	53

Introduction

As in many other South East Asian countries, HIV & AIDS is a major concern for Cambodia.

This ICHA Fact Sheet (#6) aims at briefly describing the Ministry's Financial Procedures for Strengthening Cambodia's Response to HIV & AIDS Programme.

While the country has recovered from the Khmer Rouge regime (1975-1979) and from the tragedy of losing up to 3 million children, women and men in the "killing fields", Cambodia is still engaged towards mobilizing resources to rebuild and strengthen its society, including through providing adequate education and health services to its population.

Despite the fact that the HIV/AIDS prevalence rate has dropped from 2.1% (2002) to 0.9% (2007), Cambodia prevalence rate is still among the highest in the region. More worrying, the economic growth of the country, the population migration and the new consumer behaviors that the economic development is generating are increasingly putting the young Cambodian population at risk.

As a key actor of the "National Response to HIV & AIDS", the Ministry of Education, Youth and Sport (MoEYS) has been implementing since 1999 an HIV & AIDS programme that aims at protecting and preventing the students, the out-of-school Cambodian youth and the MoEYS labour force from being infected and affected by HIV & AIDS. Developing policies, setting systems, mainstreaming HIV & AIDS in the Education sector, integrating HIV & AIDS in the national curriculum, training pre- and in-service teachers and education officers are therefore among the top priorities of the Ministry's Interdepartmental Committee on HIV & AIDS (ICHA).

Thanks to the support of the United Kingdom's Department for International Development (DFID), UNDP, UN Agencies and other development partners, ICHA is now, considerably strengthened and recognized for its experience in "mainstreaming HIV & AIDS in the education sector". I am therefore grateful to Mr. Patrick Duong, the DFID/UNDP Advisor to the Ministry, for having prepared these fact sheets which primarily aims at giving an overview on the Ministry's HIV & AIDS programme and share information and practices. I would also like to thank Ms. M. Brown, Mr. M. Crook, Mr. I. Beach, Dr. R. Jayakaran, Mr. J. Lee, World Education, CSCS, the ICHA members, the DFPTT team and the many other individuals and partners for the technical expertise they are providing to our programme.

His Excellency, Im Sethy
Secretary of State
Chairperson of ICHA
Ministry of Education, Youth and Sport

List of Abbreviations:

AIDS:	Acquired Immune Deficiency Syndrome
BC:	Behaviour Change
BBC WST:	British Broadcasting Corporation / World Service Trust
DGAF:	Director General for Administration and Finance (MoEYS)
DGE:	Director General for Education (MoEYS)
DFID:	Department for International Development (United Kingdom)
DOE:	District Office of Education (MoEYS)
DOY:	Department of Youth (MoEYS)
EU:	European Union
HIV:	Human Immunodeficiency Virus
ICHA:	Interdepartmental Committee for HIV/AIDS (MoEYS)
IEC:	Information, Education and Communication
ILO:	International Labour Organisation
MAT:	Monitoring and Advisory Team (DFID)
MoCR:	Ministry of Cults and Religions
MoEYS:	Ministry of Education, Youth and Sport
MoH:	Ministry of Health
NAA:	National AIDS Authority
NCHADS:	National Centre for HIV/AIDS, Dermatology and STD
NFE:	Non-Formal Education Department (MoEYS)
NGO:	Non-Governmental Organisation
NIE:	National Institute of Education (MoEYS)
PAC:	Provincial AIDS Committee
PAS:	Provincial AIDS Secretariat
POE:	Provincial Office of Education (MoEYS)
PRD:	Pedagogical Research Department (MoEYS)
Q&A:	Questions and Answers
RGoC:	Royal Government of Cambodia
RTI:	Research Triangle Institute (NGO)
SCRH:	Strengthening Cambodia's Response to HIV/AIDS
SHD:	School Health Department (MoEYS)
STD:	Sexually Transmitted Disease
TA:	Technical Advisor
ToT:	Training of Trainers
TTD:	Teacher Training Department (MoEYS)
UNAIDS:	United Nations Joint Programme on HIV/AIDS
UNCT:	United Nations Country Team
UNDP:	United Nations Development Programme
UNESCO:	United Nations, Educational, Scientific and Cultural Organisation
UNFPA:	United Nations Population Fund
UNICEF:	United Nations Children's Fund
UNODC:	United Nations Office on Drug and Crime
USAID:	United States Agency for International Development

1. INTRODUCTION

1.1 Purpose of Procedures

Activities funded from various sources are managed by the Ministry of Education, Youth and Sports (“MoEYS”) as part of its National Program, it is therefore important to minimize the additional transaction cost burden placed on the MoEYS, whilst ensuring that the program can achieve its goals and objectives with full transparency and accountability.

Furthermore, it is necessary to ensure that decisions are made in a timely fashion that activities are implemented in an efficient manner that disbursements keep up with the disbursement plans for the program, that procurements are made effectively, and that activities and disbursements are effectively monitored.

Given the complexity and magnitude of the MoEYS program and the variety of MoEYS funding sources, a clear, standardized, transparent, streamlined system of decision-making and approval for program implementation, disbursement of funds, and regular monitoring and reporting, is necessary.

The purpose of these procedures is to define:

- A mechanism for approval of program activities
- A financial management model, which outlines the approval processes and ceilings for disbursement through check or money transfer order (MTO) and for petty cash
- A set of procurement procedures for goods, services and civil works
- A monitoring and reporting schedule including the prescribed formats
- Permissible rates for payment of per diem, incentives, allowances, etc
- Fixed assets and expendable items management
- Budget preparation and control guidelines
- Financial reporting
- Audit Protocols

1.2 Revision of Procedures

The main principles for procurement and disbursement are based on procedures derived from MoEYS experience in implementing programs and projects supported by external multi- and bi-lateral agencies and existing MoEYS implementation procedures. These procedures have been ratified by the overall Steering Committee. It is envisaged that over the lifespan of the program, these guidelines will be reviewed every six-months and revised in an on-going manner in order to promote the effective management of the program.

Any amendments or changes will be updated with details of which pages to be replaced and the items being amended/ changed. When a change occurs, the person responsible for updating should ensure everyone who needs to know is informed of the changes.

The updated information of new versions will be tracked in the table “TABLE OF REVISION “of the ending of these procedures.

2. ACCOUNTING FRAMEWORK

Background

The Department of Finance Program Task Team (“DFPTT”) of Ministry of Education Youth and Sport (“MoEYS”) will be responsible for the overall financial management of the DFID/UNDP – supported “ Strengthening Cambodia’s Response to HIV/AIDS” project, as well as the counterpart funds from the Royal Government of Cambodia.

Current Accounting System

All funds received from the creditor and counterpart is kept at The Ministry of Education, Youth and Sport at the Foreign Trade Bank of Cambodia. All withdrawals of funds from the banks are authorized either by the DFPTT.

Proposed Accounting System

After completion of the preliminary examination of the current accounting system at the Finance Department Program Task Team, we propose a computer-based accounting system, Peachtree, rather than an Excel-based or manual one. The Peachtree system can automatically produce various types of reports that may be useful to the Donor and to the management of the DFPTT and the Ministry of Economy and Finance. Such reports include:

- Monthly and annual Income and Expenditure Accounts by components and Budget category;
- Monthly and annual Income and Expenditure Accounts versus Budget by components and budget category;
- Fund Reconciliation Statements;
- Fund Balance

Set out below is a summary of the proposed accounting system structure of the Finance Department Program Task Team. Policies and procedures are set out in more detail in the Accounting Policies and Procedures Manual.

Cash on Hand System and Control

Procedures will be set up to maintain, manage and control cash withdrawals from the bank, the custody of cash and cash payments. Cash at Bank System and Control

Procedures will be set up to maintain, manage and control funds received from the UNDP/DFID and Counterpart Funds, the custody of funds and the disbursement of funds.

Advances

Procedures will be set up to maintain and control Project cash advances such as travel, including payment and clearance of advances.

Purchasing

Procedures will be set up to control the purchase of goods or services.

Non-expendable Property and Equipment (Fixed Assets)

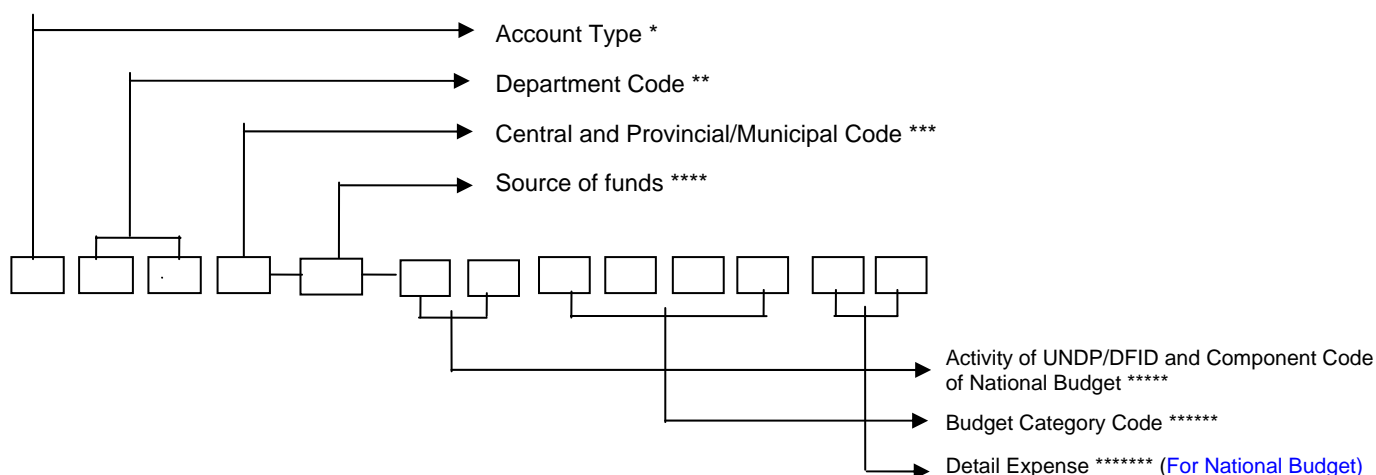
Procedures will be set up to maintain and control property and equipment held by the MoEYS, including assets purchased by the DFPTT.

Incremental Salaries and Wages

Procedures will be set up to control the payment of incremental salaries and wages.

2.1 Chart of Accounts

Format of chart of accounts



The Chart of Accounts (attached) is a list of ledger accounts giving account titles and account codes. The chart of accounts is designed in detail in Peachtree in order to enable the Project to record separately the receipt of funds from the DFID/UNDP and from Counterpart and to record separately the expenditures incurred under the Project. It shows all income and expenditure by component and budget category code. There are 13 digits and 2 dashes in the account codes.

(i) Account Type

The first segment with one character identifies the account type. For example, **1** represents cash and bank account, **2** represents advance accounts, **3** represents other current assets accounts, **4** represents other current liabilities accounts, **5** represents equity account, **6** represents income accounts and **7** represents expense accounts.

(ii) Department Code

The second segment with two characters represents departments of MoEYS. For example, **00** represents for MoEYS is not specific on source of Fund or departments **01** represents Department ICHA Member, **02** represents Department of School Health, **03** represents Department of Finance, **04** represents Department of Planning, **05** represents Department of Information and ASEAN Affair, **06** represents Department of Non-Formal Education, **07** represents Department of Primary Education. (See more detail in Sample Chart of accounts section)

(iii) Provincial/Municipality Code

The third segment with one character represents 24 provincials and Municipalities in Cambodia. For example, **00** represents for MoEYS is not specific on provinces **A** represents Phnom Penh, **B** represents Kandal Province, **C** represents Kampong Cham Province, **D** represents Battambang Province, **E** represents Prey Veng Province, **F** represents Siem Reap Province. (See more detail in Sample Chart of accounts section)

(iv) Source of Funds

The fourth segment with one character represents the source of funds financing the project. For example, **D** represents DFID, **R** represents counterpart fund Royal Government of Cambodia, and **O** represents other source of funds.

(v) Component Code and Activity Code

- **Activity Code for UNDP/DFID**

The fifth segment with two characters represents the Activity code of UNDP/DFID funds only. **Activity 1.** LT-TA for planning and management support; **Activity 2.** ST-

TAs for technical inputs; **Activity 3.** Conduct of Research and Impact Monitoring; **Activity 4.** Mapping; **Activity 5.** Sensitization and Awareness Activities; **Activity 6.** Life Skill for HIV/AIDS Education Program; **Activity 7.** Street Children; **Activity 8.** Capacity Building for MoEYS and its Departments; **Activity 9.** Mainstreaming In-School Projects; **Activity 10.** Mainstreaming Out-of-School Projects; **Activity 11.** Mainstreaming other small projects; **Activity 12.** Internal Audit; **Activity 13.** Recruitment fees of TAs; **Activity 14.** Budget Support for MoEYS and Capital Cost.

- **Component Code for National Budget**

The fifth segment with two characters represents the component code of Royal Government of Cambodia (RGC). For example, **10** represents Salaries and Compensation Component, **11** represents Administrative expenses a for supplies and scale fixed Component, **12** represent Fund for support public organizations Component, **13** represents Activity of programs Component, **20** represents Loan interest short term, medium and long term Component. (See more detail in Sample Chart of accounts section)

- (vi) **Budget Category Code of UNDP/DFID and Royal Government of Cambodia (RGC)**

The sixth segment with four digits represents the budget category code of UNDP/DFID and Royal Government of Cambodia (RGC). For example, **A** Budget category code of UNDP/DFID, **1200** represents International Consultant Budget Category code. **1300** represents Local Consultant Budget Category code, **1400** represents Contractual services - Individuals Budget Category code, **1500** represents UN volunteers Budget Category code,... **B** Budget category code of RGC, **0101** represents Bonus for public service Budget Category code, **0102** represents Salary and annual permanence compensation Budget Category code. (See more detail in Sample Chart of accounts section)

- (vii) **Detail Expense**

The seventh segment with two digits represents the detail expense that identifies the specific expense number account of component and budget category code of Royal Government of Cambodia (RGC). These detail expense account numbers are prepared based on component and budget category code of RGC.

Specific account number

The specific account number identifies the main ledger account to which the transaction is recorded. These specific account numbers are prepared based on budget line.

The Chart of Accounts is flexible. The Finance Department Program Task Team may have new projects or activities in the future. The budget Categories or expense items of new projects or components and activities may differ from existing ones and they can be added to the Chart of Accounts.

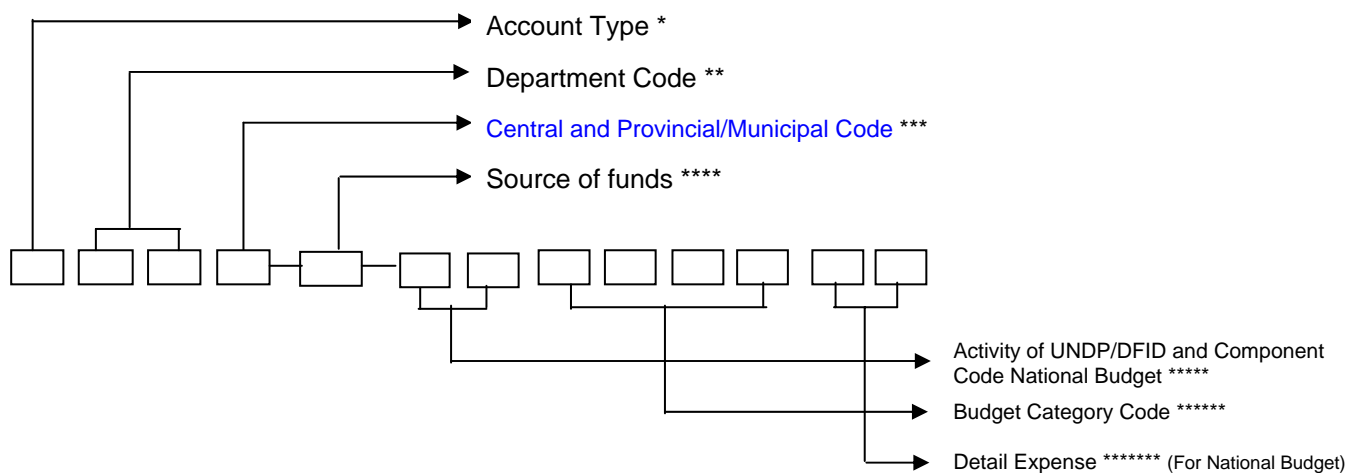
Financial Reports

From the Chart of Accounts, the financial reports are produced (this is done automatically through Peachtree).

Month-End Procedures

Procedures will be set up to ensure that, at the end of each month, records of the bank and cash balances, the funds received from donors, the expenditures incurred, and the financial reports are complete, accurate and reliable.

2.2 Sample Chart of Accounts



Notes to the format of account code

- * **Account Type**
- 1 : Cash and Bank
 - 2 : Advance
 - 3 : Other Current Assets
 - 4 : Other Current Liabilities
 - 5 : Fund Received
 - 6 : Incomes
 - 7 : Expenses

- ** **Department Code**
- 00 : Default
 - 01 : ICHA Member (ICHA)
 - 02 : Department of School Health (DSH)
 - 03 : Department of Finance (DF)
 - 04 : Department of Planning (DP)
 - 05 : Department of Information and ASEAN affairs (DIAA)
 - 06 : Department of Non-Formal Education (DNFE)
 - 07 : Department of Primary Education (DPE)
 - 08 : Department of Secondary Education (DSE)
 - 09 : Department of Personal (DPS)
 - 10 : Department of Technical and Vocation Education (DTVE)
 - 11 : Department of Teacher Training (DTT)
 - 12 : Department of Higher Education (DHE)
 - 13 : Department of Youth (DY)
 - 14 : Faculty of Pedagogy (FP)
 - 15 : Department of Sport and Physical Education (DSPE)
 - 16 : Department of Pedagogy Research (DPR)
 - 17 : Inspection of Administration and Finance (IAF)

- *** **Central and Provincial Code/ Municipality Code**
- 0 : Default
 - A : Central
 - B : Bantey Meanchey

C	: Battambang
D	: Kampong Cham
E	: Kampong Chhnang
F	: Kampong Speu
G	: Kampong Thom
H	: Kampot
I	: Kandal
J	: Koh Kong
K	: Kratie
L	: Mondolkiri
M	: Municipality Phnom Penh
N	: Preach Vihear
O	: Prey Veng
P	: Pursat
Q	: Ratanakkiri
R	: Siem Reap
S	: Sihanouk Ville
T	: Stoeng Treng
U	: Svay Rieng
V	: Takeo
W	: Odar Meanchey
X	: Kep
Y	: Pailin

Source of Funds

D	: DFID "UK"
U	: UNDP
R	: Royal Government of Cambodia
O	: Other source of Funds

Activity of UNDP/DFID and Components Code of National Budget**Activity of UNDP/DFID**

00	: Default
01	: Activity 1. LT-TA for planning and management support
02	: Activity 2. ST-TAs for technical inputs
03	: Activity 3. Conduct of Research and Impact Monitoring
04	: Activity 4. Mapping and Need Assessments
05	: Activity 5. Sensitization and Awareness Activities
06	: Activity 6. Life Skill for HIV/AIDS Education Program
07	: Activity 7. Activity for MS Street Children
08	: Activity 8. Capacity Building of MoEYS and its Departments
09	: Activity 9. Mainstreaming In-School Projects
10	: Activity 10. Mainstreaming Out-of-School Projects
11	: Activity 11. Mainstreaming other small projects
12	: Activity 12. Audit
13	: Activity 13. Recruitment fees of TAs
14	: Activity 14. Budget support for MoEYS Human Resources and Capital Costs

Components Code of National Budget

10	: Salaries and Compensations
11	: Administrative Expenses a for supplier and scale fixed
12	: Fund for support public organizations
13	: Priority Action Programs
20	: Loan interest short term, medium and Long Term

- 30 : Intervention in economics
- 31 : International Interventions
- 40 : Miscellaneous
- 41 : Emergency Expenses
- 50 : Financial domestic investment
- 51 : Direct Financial investment
- 52 : Financial cooperation
- 53 : Payment Debtors

A Budget Category Code**1000 : Other Personal Expenses****1200 : International Consultants**

1205 : International Consultants - Short term - Technical

1210 : International Consultants - Short term - Support

1300 : Local Consultants

1305 : Local Consultants - Short term - Technical

1310 : Local Consultants - Short term - Support

1400 : Contractual Services - Individuals

1405 : Service Contracts - Individuals

1410 : Performance Based Salary Incentive/Output-Based Incentive

1600 : Travel

1605 : Travel Tickets - International

1610 : Travel Tickets – Local

1615 : Daily Subsistence Allowance - International

1620 : Daily Subsistence Allowance - Local

1625 : Daily Subsistence Allowance - Meeting Participants

1630 : Shipment

1635 : Travel – Other

2000 : General Operating Expenses**2100 : Contractual Services - Companies**

2105 : Svc Co - Construction & Engineering

2110 : Svc Co - Agricultural Management

2115 : Svc Co - Natural Resources & Environmental Services

2120 : Svc Co - Trade and Business Services

2125 : Svc Co - Studies and Research Services

2130 : Svc Co - Transportation Services

2135 : Svc Co – Communications Services

2140 : Svc Co – Information Technology Svcs

2145 : Svc Co - Training and Education Services

2150 : Svc Co - Manufacturing Services

2155 : Svc Co - Public Admin, Politics and Infrastructure Svcs

2160 : Svc Co - Education & Health Services

2165 : Svc Co - Social Svcs, Social Sciences and Population

2170 : Svc Co - Humanitarian Aid & Relief Services

2175 : Svc Co - Urban, Rural & Regional Develop Services

2200 : Equipment and Furniture

2205 : Office Equipment

2210 : Machinery

2215 : Transportation Equipment

2220 : Furniture

2225 : Sale of Equipment and Furniture

- 2400 : Communications and Audio Visual Equipment**
- 2405 : Acquisition of Communication Equipment
- 2410 : Acquisition of Audio Visual Equipment
- 2415 : Courier charges
- 2420 : Land Telephone Charges
- 2425 : Mobile Telephone Charges
- 2430 : Postage and Pouch
- 2435 : E-mail – subscription
- 2440 : Connectivity Charges
- 2445 : Common services - Communications

- 2500 : Supplies**
- 2505 : Stationery and other Office Supplies
- 2510 : Publications

- 3000 : Overhead Expenses**
- 3100 : Rental and Maintenance - Premises**
- 3105 : Rent
- 3110 : Custodial and Cleaning Services
- 3115 : Moving expenses
- 3120 : Utilities
- 3125 : Common services - Premises

- 3200 : Premises Alterations**
- 3205 : Premises Alterations

- 3300 : Rental and Maintenance of Information Technology Equipment**
- 3305 : Maintenance and Licensing of Hardware
- 3310 : Maintenance and Licensing of Software
- 3315 : Leasing of Hardware

- 3400 : Rental and Maintenance of Other Equipment**
- 3405 : Rental and maintenance of other office equipment
- 3410 : Maintenance, operation of transportation equipment

- 4000 : Miscellaneous Operating Expenses**
- 4100 : Professional Services**
- 4105 : Management and Reporting Services
- 4110 : Audit Fees
- 4115 : Legal Fees
- 4120 : Capacity Assessment
- 4200 : Audio Visual and Printing Production Costs**
- 4205 : Audio Visual Productions
- 4210 : Printing and Publications
- 4215 : Promotional Materials and distribution
- 4220 : Translation Costs
- 4225 : Other Media Costs
- 4230 : Audio & Visual Equipment

- 4500 : Miscellaneous Expenses**
- 4505 : Insurance
- 4510 : Bank charges
- 4515 : Claims and adjustments

4520 :Storage

4525 : Sundry

B Budget Category Code of National Budget

10 Salary & Compensations

0101 : Bonus for Public service

0102 : Salary & Annual Permanence Compensation

0103 : Salary & Annual Temporary Compensation

0104 : Bonus for staff on contract

11 Administrative Expenses for supplies and small Scale Fixed

0101 : Material & Administrative Expenditure

0102 : Travel Expenditure

12 Fund for Public Support Organization

0101 : Fund for Provinces/Municipals Support

0102 : Fund for Institutional public Support

0103 : Fund for Communes and Villages Support

13 Priority Action Program

0101 : Development Program for District

0102 : Development Program for Areas

20 Loan Interest in Short, Medium and Long Term

0101 : Loan Interest on Domestic

0102 : Loan Interest on International

30 Intervention in Economics

0101 : Intervention in Economic by direct payment

0102 : Intervention in Economic support by Entrepreneurs

31 International Interventions

0101 : United Nations

0102 : World Bank

0103 : Asia Development Bank

0104 : UNICEF

0105 : International Sport Community

0106 : ASEAN

0199 : Other International Organization

40 Miscellaneous

41 Random Expenses

50 Financial Domestic Investment

0101 : Material Constructions

0102 : Contribution local currency of direct financial from Oversea

0103 : Foreign Direct Investment

51 Direct Financial Investment

52 Financial Cooperation

0101 : Fund Support for Entrepreneurs

0102 : Loan, Entrepreneur Advance and other Organizations

0103 : Fund to establish an enterprise

53 Payment for Debt

- 0101 : Paid for domestic loans
0102 : Paid for International loans

******* Detail Expense [Sample COA as an example]**

Account ID	Account Description	Active?	Account Type
701A-D-01210500	Svc Co-Constr & Engin	Yes	Expenses
701A-D-01452500	Sundry	Yes	Expenses
701A-D-02130000	Local Consultants	Yes	Expenses
701A-D-02451500	Claims and adjust	Yes	Expenses
701A-D-02452000	Storage	Yes	Expenses
701A-D-02452500	Sundry	Yes	Expenses
701A-D-03210000	Contract Serv – Compa	Yes	Expenses
701A-D-03211000	Svc Co-Agricul Mag' t	Yes	Expenses
701A-D-03211500	Svc Co-Nat Res & Enviro Serv	Yes	Expenses
701A-D-03212000	Svc Co-Trade & Busi Serv	Yes	Expenses
701A-D-03212500	Svc Co-Stud & Rese Serv	Yes	Expenses
701A-D-03213000	Svc Co-Transp Serv	Yes	Expenses
701A-D-03213500	Svc Co-Commu Serv	Yes	Expenses
701A-D-03214000	Svc Co-Infor Tech Svcs	Yes	Expenses
701A-D-03214500	Svc Co-Train & Edu Serv	Yes	Expenses
701A-D-03215000	Svc Co-Manufact Serv	Yes	Expenses
701A-D-03215500	Svc Co-Pub Ad, Pol & Inf Svcs	Yes	Expenses
701A-D-03216000	Svc Co-Edu & Health Serv	Yes	Expenses
701A-D-03216500	Svc Co-Soc Svcs, Soc Sci & Po	Yes	Expenses
701A-D-03217000	Svc Co-Huma Aid & Relie Serv	Yes	Expenses
701A-D-03217500	Svc Co-Urb, Rur & Reg Dev Ser	Yes	Expenses
701A-D-04210000	Contract Serv – Compa	Yes	Expenses
701A-D-04210500	Svc Co-Constr & Engin	Yes	Expenses
701A-D-04211000	Svc Co-Agricul Mag' t	Yes	Expenses
701A-D-04211500	Svc Co-Nat Res & Enviro Serv	Yes	Expenses
701A-D-04212000	Svc Co-Trade & Busi Serv	Yes	Expenses
701A-D-04212500	Svc Co-Stud & Rese Serv	Yes	Expenses
701A-D-04213000	Svc Co-Transp Serv	Yes	Expenses
701A-D-04213500	Svc Co-Commu Serv	Yes	Expenses
701A-D-04214000	Svc Co-Infor Tech Svcs	Yes	Expenses
701A-D-04214500	Svc Co-Train & Edu Serv	Yes	Expenses
701A-D-04215000	Svc Co-Manufact Serv	Yes	Expenses
701A-D-04215500	Svc Co-Pub Ad, Pol & Inf Svcs	Yes	Expenses
701A-D-04216500	Svc Co-Soc Svcs, Soc Sci & Po	Yes	Expenses
701A-D-04217000	Svc Co-Huma Aid & Relie Serv	Yes	Expenses
701A-D-04217500	Svc Co-Urb, Rur & Reg Dev Ser	Yes	Expenses
701A-D-05210000	Contract Serve – Compa	Yes	Expenses
701A-D-05210500	Svc Co-Constr & Engin	Yes	Expenses
701A-D-05211000	Svc Co-Agricul Mag' t	Yes	Expenses
701A-D-05211500	Svc Co-Nat Res & Enviro Serv	Yes	Expenses
701A-D-05212000	Svc Co-Trade & Busi Serv	Yes	Expenses

701A-D-05212500	Svc Co-Stud & Rese Serv	Yes	Expenses
701A-D-05213000	Svc Co-Transp Serv	Yes	Expenses
701A-D-05213500	Svc Co-Commu Serv	Yes	Expenses
701A-D-05214000	Svc Co-Infor Tech Svcs	Yes	Expenses
701A-D-05214500	Svc Co-Train & Edu Serv	Yes	Expenses
701A-D-05215000	Svc Co-Manufact Serv	Yes	Expenses
701A-D-05215500	Svc Co-Pub Ad, Pol & Inf Svcs	Yes	Expenses
701A-D-05216000	Svc Co-Edu & Health Serv	Yes	Expenses
701A-D-05216500	Svc Co-Soc Svcs, Soc Sci & Po	Yes	Expenses
701A-D-05217000	Svc Co-Huma Aid & Relie Serv	Yes	Expenses
701A-D-05217500	Svc Co-Urb, Rur & Reg Dev Ser	Yes	Expenses
701A-D-06210000	Contrac Serv – Compa	Yes	Expenses
701A-D-06210500	Svc Co-Constr & Engin	Yes	Expenses
701A-D-06211000	Svc Co-Agricul Mag' t	Yes	Expenses
701A-D-06211500	Svc Co-Nat Res & Enviro Serv	Yes	Expenses
701A-D-06212000	Svc Co-Trade & Busi Serv	Yes	Expenses
701A-D-06212500	Svc Co-Stud & Rese Serv	Yes	Expenses
701A-D-06213000	Svc Co-Transp Serv	Yes	Expenses
701A-D-06213500	Svc Co-Commu Serv	Yes	Expenses
701A-D-06214000	Svc Co-Infor Tech Svcs	Yes	Expenses
701A-D-06214500	Svc Co-Train & Edu Serv	Yes	Expenses
701A-D-06215000	Svc Co-Manufact Serv	Yes	Expenses
701A-D-06215500	Svc Co-Pub Ad, Pol & Inf Svcs	Yes	Expenses
701A-D-06216000	Svc Co-Edu & Health Serv	Yes	Expenses
701A-D-06216500	Svc Co-Soc Svcs, Soc Sci & Po	Yes	Expenses
701A-D-06217000	Svc Co-Huma Aid & Relie Serv	Yes	Expenses
701A-D-06217500	Svc Co-Urb, Rur & Reg Dev Ser	Yes	Expenses
701A-D-07210000	Contract Serv – Compa	Yes	Expenses
701A-D-07210500	Svc Co-Constr & Engin	Yes	Expenses
701A-D-07211000	Svc Co-Agricul Mag' t	Yes	Expenses
701A-D-07211500	Svc Co-Nat Res & Enviro Serv	Yes	Expenses
701A-D-07212000	Svc Co-Trade & Busi Serv	Yes	Expenses
701A-D-07212500	Svc Co-Stud & Rese Serv	Yes	Expenses
701A-D-07213000	Svc Co-Transp Serv	Yes	Expenses
701A-D-07213500	Svc Co-Commu Serv	Yes	Expenses
701A-D-07214000	Svc Co-Infor Tech Svcs	Yes	Expenses
701A-D-07214500	Svc Co-Train & Edu Serv	Yes	Expenses
701A-D-07215000	Svc Co-Manufact Serv	Yes	Expenses
701A-D-07215500	Svc Co-Pub Ad, Pol & Inf Svcs	Yes	Expenses
701A-D-07216000	Svc Co-Edu & Health Serv	Yes	Expenses
701A-D-07216500	Svc Co-Soc Svcs, Soc Sci & Po	Yes	Expenses
701A-D-07217000	Svc Co-Huma Aid & Relie Serv	Yes	Expenses
701A-D-07217500	Svc Co-Urb, Rur & Reg Dev Ser	Yes	Expenses
701A-D-07220000	Equip & Furnit	Yes	Expenses
701A-D-07220500	Office Equipment	Yes	Expenses
701A-D-07221000	Machinery	Yes	Expenses
701A-D-07221500	Transportation Equip	Yes	Expenses
701A-D-07222000	Furniture	Yes	Expenses
701A-D-07222500	Sale of Equip and Furnit	Yes	Expenses
701A-D-07320000	Premi Alter	Yes	Expenses

701A-D-07320500	Premises Alterations	Yes	Expenses
701A-D-07450000	Misellenous Expenses	Yes	Expenses
701A-D-07450500	Insurance	Yes	Expenses
701A-D-07451000	Bank charges	Yes	Expenses
701A-D-07451500	Claims and adjust	Yes	Expenses
701A-D-07452000	Storage	Yes	Expenses
701A-D-07452500	Sundry	Yes	Expenses
701A-D-08210000	Contrac Serv – Compa	Yes	Expenses
701A-D-08210500	Svc Co-Constr & Engin	Yes	Expenses
701A-D-08211000	Svc Co-Agricul Mag' t	Yes	Expenses
701A-D-08211500	Svc Co-Nat Res & Enviro Serv	Yes	Expenses
701A-D-08212000	Svc Co-Trade & Busi Serv	Yes	Expenses
701A-D-08212500	Svc Co-Stud & Rese Serv	Yes	Expenses
701A-D-08213000	Svc Co-Transp Serv	Yes	Expenses
701A-D-08213500	Svc Co-Commu Serv	Yes	Expenses
701A-D-08214000	Svc Co-Infor Tech Svcs	Yes	Expenses
701A-D-08214500	Svc Co-Train & Edu Serv	Yes	Expenses
701A-D-08215000	Svc Co-Manufact Serv	Yes	Expenses
701A-D-08215500	Svc Co-Pub Ad, Pol & Inf Svcs	Yes	Expenses
701A-D-08216000	Svc Co-Edu & Health Serv	Yes	Expenses
701A-D-08216500	Svc Co-Soc Svcs, Soc Sci & Po	Yes	Expenses
701A-D-08217000	Svc Co-Huma Aid & Relie Serv	Yes	Expenses
701A-D-08217500	Svc Co-Urb, Rur & Reg Dev Ser	Yes	Expenses
701A-D-09160000	Travel	Yes	Expenses
701A-D-09160500	Travel Tickets - Int' l	Yes	Expenses
701A-D-09161000	Travel Tickets – Loc	Yes	Expenses
701A-D-09161500	Dai Subsidi Allow-Int' l	Yes	Expenses
701A-D-09162000	Dai Subsidi Allow-Loc	Yes	Expenses
701A-D-09162500	Daily Subsidi Allow-Meet Part	Yes	Expenses
701A-D-09163000	Shipment	Yes	Expenses
701A-D-09163500	Travel – Other	Yes	Expenses
701A-D-09210000	Contract Serv – Compa	Yes	Expenses
701A-D-09210500	Svc Co-Constr & Engin	Yes	Expenses
701A-D-09211000	Svc Co-Agricul Mag' t	Yes	Expenses
701A-D-09211500	Svc Co-Nat Res & Enviro Serv	Yes	Expenses
701A-D-09212000	Svc Co-Trade & Busi Serv	Yes	Expenses
701A-D-09212500	Svc Co-Stud & Rese Serv	Yes	Expenses
701A-D-09213000	Svc Co-Transp Serv	Yes	Expenses
701A-D-09213500	Svc Co-Commu Serv	Yes	Expenses
701A-D-09214000	Svc Co-Infor Tech Svcs	Yes	Expenses
701A-D-09214500	Svc Co-Train & Edu Serv	Yes	Expenses
701A-D-09215000	Svc Co-Manufact Serv	Yes	Expenses
701A-D-09215500	Svc Co-Pub Ad, Pol & Inf Svcs	Yes	Expenses
701A-D-09216000	Svc Co-Edu & Health Serv	Yes	Expenses
701A-D-09216500	Svc Co-Soc Svcs, Soc Sci & Po	Yes	Expenses
701A-D-09217000	Svc Co-Huma Aid & Relie Serv	Yes	Expenses
701A-D-09217500	Svc Co-Urb, Rur & Reg Dev Ser	Yes	Expenses
701A-D-09420000	Audio Visu & Prin Produ Co	Yes	Expenses
701A-D-09420500	Audio Visual Productions	Yes	Expenses
701A-D-09421000	Printing and Publications	Yes	Expenses

701A-D-09421500	Promo Mate & districts	Yes	Expenses
701A-D-09422000	Translation Costs	Yes	Expenses
701A-D-09422500	Other Media Costs	Yes	Expenses
701A-D-09423000	Audio & Visual Equip	Yes	Expenses
701A-D-09450000	Misellenous Expenses	Yes	Expenses
701A-D-09450500	Insurance	Yes	Expenses
701A-D-09451000	Bank charges	Yes	Expenses
701A-D-09451500	Claims and adjust	Yes	Expenses
701A-D-09452000	Storage	Yes	Expenses
701A-D-09452500	Sundry	Yes	Expenses
701A-D-10160000	Travel	Yes	Expenses
701A-D-10160500	Travel Tickets - Int' l	Yes	Expenses
701A-D-10161000	Travel Tickets – Loc	Yes	Expenses
701A-D-10161500	Dai Subsidi Allow-Int' l	Yes	Expenses
701A-D-10162000	Dai Subsidi Allow-Loc	Yes	Expenses
701A-D-10162500	Daily Subsidi Allow-Meet Part	Yes	Expenses
701A-D-10163000	Shipment	Yes	Expenses
701A-D-10163500	Travel – Other	Yes	Expenses
701A-D-10210000	Contract Serv – Compa	Yes	Expenses
701A-D-10210500	Svc Co-Constr & Engin	Yes	Expenses
701A-D-10211000	Svc Co-Agricul Mag' t	Yes	Expenses
701A-D-10211500	Svc Co-Nat Res & Enviro Serv	Yes	Expenses
701A-D-10212000	Svc Co-Trade & Busi Serv	Yes	Expenses
701A-D-10212500	Svc Co-Stud & Rese Serv	Yes	Expenses
701A-D-10213000	Svc Co-Transp Serv	Yes	Expenses
701A-D-10213500	Svc Co-Commu Serv	Yes	Expenses
701A-D-10214000	Svc Co-Infor Tech Svcs	Yes	Expenses
701A-D-10214500	Svc Co-Train & Edu Serv	Yes	Expenses
701A-D-10215000	Svc Co-Manufact Serv	Yes	Expenses
701A-D-10215500	Svc Co-Pub Ad, Pol & Inf Svcs	Yes	Expenses
701A-D-10216000	Svc Co-Edu & Health Serv	Yes	Expenses
701A-D-10216500	Svc Co-Soc Svcs, Soc Sci & Po	Yes	Expenses
701A-D-10217000	Svc Co-Huma Aid & Relie Serv	Yes	Expenses
701A-D-10217500	Svc Co-Urb, Rur & Reg Dev Ser	Yes	Expenses
701A-D-10420000	Aud Visu & Prin Produ Co	Yes	Expenses
701A-D-10420500	Audio Visual Productions	Yes	Expenses
701A-D-10421000	Printing and Publications	Yes	Expenses
701A-D-10421500	Promo Mate & distri	Yes	Expenses
701A-D-10422000	Translation Costs	Yes	Expenses
701A-D-10422500	Other Media Costs	Yes	Expenses
701A-D-10423000	Audio & Visual Equip	Yes	Expenses
701A-D-10450000	Misellenous Expenses	Yes	Expenses
701A-D-10450500	Insurance	Yes	Expenses
701A-D-10451000	Bank charges	Yes	Expenses
701A-D-10451500	Claims and adjust	Yes	Expenses
701A-D-10452000	Storage	Yes	Expenses
701A-D-10452500	Sundry	Yes	Expenses
701A-D-11210000	Contrac Serv – Compa	Yes	Expenses
701A-D-11210500	Svc Co-Constr & Engin	Yes	Expenses
701A-D-11211000	Svc Co-Agricul Mag' t	Yes	Expenses

701A-D-11211500	Svc Co-Nat Res & Enviro Serv	Yes	Expenses
701A-D-11212000	Svc Co-Trade & Busi Serv	Yes	Expenses
701A-D-11212500	Svc Co-Stud & Rese Serv	Yes	Expenses
701A-D-11213000	Svc Co-Transp Serv	Yes	Expenses
701A-D-11213500	Svc Co-Commu Serv	Yes	Expenses
701A-D-11214000	Svc Co-Infor Tech Svcs	Yes	Expenses
701A-D-11214500	Svc Co-Train & Edu Serv	Yes	Expenses
701A-D-11215000	Svc Co-Manufact Serv	Yes	Expenses
701A-D-11215500	Svc Co-Pub Ad, Pol & Inf Svcs	Yes	Expenses
701A-D-11216000	Svc Co-Edu & Health Serv	Yes	Expenses
701A-D-11216500	Svc Co-Soc Svcs, Soc Sci & Po	Yes	Expenses
701A-D-11217000	Svc Co-Huma Aid & Relie Serv	Yes	Expenses
701A-D-11217500	Svc Co-Urb, Rur & Reg Dev Ser	Yes	Expenses
701A-D-11220000	Equip & Furnit	Yes	Expenses
701A-D-11220500	Office Equipment	Yes	Expenses
701A-D-11221000	Machinery	Yes	Expenses
701A-D-11221500	Transportation Equip	Yes	Expenses
701A-D-11222000	Furniture	Yes	Expenses
701A-D-11222500	Sale of Equip and Furnit	Yes	Expenses
701A-D-11420000	Aud Visu & Prin Produ Co	Yes	Expenses
701A-D-11420500	Audio Visual Productions	Yes	Expenses
701A-D-11421000	Printing and Publications	Yes	Expenses
701A-D-11421500	Promo Mate & distri	Yes	Expenses
701A-D-11422000	Translation Costs	Yes	Expenses
701A-D-11422500	Other Media Costs	Yes	Expenses
701A-D-11423000	Audio & Visual Equip	Yes	Expenses
701A-D-11450000	Misellenous Expenses	Yes	Expenses
701A-D-11450500	Insurance	Yes	Expenses
701A-D-11451000	Bank charges	Yes	Expenses
701A-D-11451500	Claims and adjust	Yes	Expenses
701A-D-11452000	Storage	Yes	Expenses
701A-D-11452500	Sundry	Yes	Expenses
701A-D-12410000	Professional Servi	Yes	Expenses
701A-D-12410500	Mag' t and Repo Serv	Yes	Expenses
701A-D-12411000	Audit Fees	Yes	Expenses
701A-D-12411500	Legal Fees	Yes	Expenses
701A-D-12412000	Capacity Assessment	Yes	Expenses
701A-D-12450000	Misellenous Expenses	Yes	Expenses
701A-D-12450500	Insurance	Yes	Expenses
701A-D-12451000	Bank charges	Yes	Expenses
701A-D-12451500	Claims and adjust	Yes	Expenses
701A-D-12452000	Storage	Yes	Expenses
701A-D-12452500	Sundry	Yes	Expenses
701A-D-13160000	Travel	Yes	Expenses
701A-D-13160500	Travel Tickets - Int' l	Yes	Expenses
701A-D-13161000	Travel Tickets – Loc	Yes	Expenses
701A-D-13161500	Dai Subsidi Allow-Int' l	Yes	Expenses
701A-D-13162000	Dai Subsidi Allow-Loc	Yes	Expenses
701A-D-13162500	Daily Subsidi Allow-Meet Part	Yes	Expenses
701A-D-13163000	Shipment	Yes	Expenses

701A-D-13163500	Travel – Other	Yes	Expenses
701A-D-13450000	Misellenous Expenses	Yes	Expenses
701A-D-13450500	Insurance	Yes	Expenses
701A-D-13451000	Bank charges	Yes	Expenses
701A-D-13451500	Claims and adjust	Yes	Expenses
701A-D-13452000	Storage	Yes	Expenses
701A-D-13452500	Sundry	Yes	Expenses
701A-D-14450000	Misellenous Expenses	Yes	Expenses
701A-D-14450500	Insurance	Yes	Expenses
701A-D-14451000	Bank charges	Yes	Expenses
701A-D-14451500	Claims and adjust	Yes	Expenses
701A-D-14452000	Storage	Yes	Expenses
701A-D-14452500	Sundry	Yes	Expenses

3. INTERNAL CONTROLS

3.1 The Internal Control System

The internal control system includes two mechanisms:

- The Management control relates to the Agency's structuring (the formal organisation chart specifying the reporting line: Who report to whom), and all methods and procedures that facilitate activity planning and monitoring of operations. The management control is achieved through the budgeting procedures and reporting on performance [Refer to Sections: Budgeting Controls and Financial Reporting Procedures in this Manual]
- The Accounting control consists of the rules and procedures dealing with the authorisation of transactions, the safeguarding of assets, and the accuracy of the accounting records. These rules are aimed at preventing (or minimising the effect of) waste of resources, unintentional errors, and fraud attempts.

3.1.1 Objectives

The following are the main objectives assigned to the accounting internal control system:

1. Authorisation: Transactions are executed in accordance with management's general or specific authorisation;
2. Validity: Recorded transactions represent events that occurred;
3. Completeness: All authorised transactions are entered in the accounting system;
4. Accuracy: Transactions are recorded accurately in respect of accounts (classified properly in the Ledger), amount (correct figure), and period (the accounting period in which transactions occur);
5. Safeguarding: Physical access to assets is limited to assigned personnel, physical security precautions and procedures are taken, and responsibility for physical custody of assets is assigned to personnel who are independent of recording function (separation of incompatible functions);
6. Reconciliation: Accounting records are compared with related assets, or other independently kept records and physical counts and differences are identified, investigated, and necessary adjustments recorded.

The first five objectives –authorisation, validity, completeness, recording accuracy, and safeguarding- are the foundation for the system of accountability; they relate to prevention of errors and irregularities. The reconciliation objective is aimed at detection of errors and irregularities.

3.1.2 The Internal Control Structure

The internal control structure consists of

- (i) The control environment
- (ii) The accounting system [Refer to Computerised Accounting manual]
- (iii) The control procedures

A. Control Environment:

Management's Attitude. The senior management's attitude toward control sets the stage for the attitudes and actions of the entire Agency. Indeed, if the staffs perceive that control is not important to top management, there is little hope for an effective, conscientious application of accounting and control procedures. It is, therefore, essential that senior managers emphasise the importance of maintaining reliable accounting records and adhering to established policies and procedures, in order to promote awareness among the staff of, and a high regard for, these matters in performing their duties.

Organisational Structure. It constitutes the overall framework for planning, directing, and controlling operations. It includes the organisational chart, and related management functions and reporting relationships. An effective control environment requires clear definitions of responsibilities and lines of authority across the DFPTT.

Budget Control. The use of budgets and financial reporting is essential to monitoring the DFPTT activities. Control is effective when recorded transactions and actual operations are regularly compared with expected results, based on budgets, standard costs, and past experience. The effectiveness of this procedure depends on the commitment of supervising officers (and Agencies) to investigating the variances between planned and actual achievements.

Internal Audit Function. It may consist of an individual, or a unit within the organisation, acting in a "staff" capacity, and reporting to the head of the agency. Internal auditing is essentially an appraisal exercise for the review of accounting, financial, and other operations in order to ascertain that the internal control structure is functioning effectively. The internal auditor is basically concerned with the compliance with established procedures, and effectiveness of the reporting system. The main outputs of the internal audit are recommendations for improving the efficiency and effectiveness of operations and the influence exerted on people whose activities are subject to audit. Indeed, if the personnel are aware that the auditor evaluates their compliance with established policies, plans, and procedures, they tend to better conform to these prescriptions.

Staff Policies and Practices. The competence and integrity of the DFPTT Agencies' staff and management are key factors in the internal control structure. The Agency will function properly if its staff or management are dedicated, and competent. The following staff policies help in building a sound internal control system:

- Reliable personnel with clear responsibilities: Fixing responsibility promotes care and efficiency among the staff. Responsibility means tracking actions down in the organisation as is feasible, so that results may be related to individuals or departments. However, the agency must ensure that authority, responsibility, and duties assigned to individuals commensurate with their abilities, experience, and reliability.
- Annual vacations must be required of all employees, especially those persons in charge of 'sensitive' duties, such as handling of cash or inventories or purchasing goods: This means that any irregularities that require continuing attention for concealment will be detected.

- A code of staff conduct is an important medium to communicate the Agency's attitudes and expectations on proper conduct, and promote commitment of the staff to abide by DFPTT's values.
- Staff evaluation: Staff must be subjected to regular performance assessment. To be effective, such policy must include fair incentive schemes.

B. Control Procedures

Control procedures ensure that the accounting system produces accurate and reliable data. The following procedures and policies are essential to achieving the objectives of the internal control:

1. Authorisation and Approval

Within the DFPTT and across the other departments, approval authority must be clearly established and recognised for each category of transactions. The authorisation may be general or specific:

- General authorisation applies to transactions that are recurring; it is usually found in written procedure, setting definite limits on commitment or payment of expenditures for example, or prohibitions (using the DFPTT's assets for personal purpose, for instance);
- Specific authorisation usually means that a supervising manager must permit (typically in written) any particular deviations from the limits set by general authorisation.

2. Validity

Authorisation procedures contribute to the validity of the accounting records. The certification-approval process is intended to ensure that only transactions representing events that occurred are processed and that invalid transactions are rejected:

- Certifying - approving officers must check the proper use of source documents, which serve as the original support of transactions (validation control);
- Source documents should be designed to reduce the risk that a transaction will be recorded incorrectly, recorded more than once, or omitted from recording. To the extent possible, source documents must satisfy the following features:
 - Pre-numbering: to allow for physical control of the documents;
 - Established instructions: to indicate the steps to properly fill out the document and route it through the system;
 - Approval blocks: to provide a designated space for necessary approval signatures, stamps, or initials;
 - Simplicity: to make the document as easy to use as possible, and minimise the number of copies of the document.

An example of a validity control is cancellation of supporting documents for expenditure when the payment is approved. This procedure prevents inadvertent or fraudulent reuse of the same source document to support a duplicate payment or fictitious expenditure.

3. Completeness

The completeness control is intended to ensure that all authorised transactions are entered in the accounting system. The following are two basic control procedures:

- Inspecting pre-numbered documents to ascertain that all of them have completed the recording process (If documents are not pre-numbered, they should be numbered when a transaction originates);
- Matching related sources documents to check if processing steps have been completed. For example, purchase orders or receiving reports can be matched with the supplier's invoices to see that goods ordered or received have subsequently been recorded.

4. Recording Accuracy

There are two basic procedures to achieve recording accuracy:

- The double-entry accounting: The requirement that debits equal credits is a built-in error-detecting mechanism; this device is applicable only if the accounting system is fully based on the double-entry principle.
- The audit trail: Accountants and auditors use this error-detecting device in tracing the flow of transactions through the accounting system, and tracking down any sources of recording errors.

The audit trail consists of all accounting documents, and records prepared as transactions are processed from origin to final posting. Source documents, the Book-Journal, and Ledger accounts are the main elements of the audit trail. Source documents are the initial record of transactions in the system; they are the evidence of the authenticity of a transaction and the approval for various processing steps. The Book-Journal is a summarising and recording instrument; it accumulates transactions, on a chronological basis, for posting to accounts in the Ledger. The Ledger further summarises transactions by account classification for use in preparing financial statements; it provides an historical record of activity within individual accounts. The Ledger also contributes to recording accuracy: the reconciliation balance helps in detecting and correcting recording errors.

4. ROLES AND RESPONSIBILITIES IN ACCOUNTING FUNCTION

A. Director of Finance Department

- a. To co-ordinate and have whole responsibilities on working process and managing funds in DFPTT.
- b. To ensure that Financial procedures are up-to-date and being implemented and is in use by the different staff in DFPTT.
- c. To co-ordinate and oversee the work of the staff of the DFPTT and Administration Departments, and responsibility of reporting financial position to the related departments on timely basis or as and when required.
- d. To approve the accounting transactions in DFPTT wherever required.
- e. Responsible for financial reporting to UNDP and other donors.
- f. Responsible for appointing the members the program task team.

B. Deputy Director of Finance Department

- a. To co-ordinate and oversee the work of the staff of the DFPTT and Administration Departments in order to deliver adequate and timely financial services to the related Departments, and provide financial information to the related departments management.
- b. To ensure that the financial procedures and internal control mechanisms are properly enforced.
- c. To certify all transactions, e.g. payment of invoices, request for advance, request for expenditure, request for cash replenishment etc.
- d. To certify financial reports and financial statements to be submitted to the Director of DFPTT for review.

C. The Chief Accountant (CA)

- a. To co-ordinate and oversee the work of the staff under his authority in order to deliver adequate and timely financial services to the related departments, and provide financial information to the related departments management.
- b. To ensure that the financial procedures and internal control mechanisms are properly enforced.
- c. To certify all transactions, e.g. payment of invoices, request for advance, request for expenditure, request for cash replenishment etc and to co-authorize with the Finance Director.
- e. To prepare financial reports and financial statements to be submitted to the Department Director for review and the Finance Director of MoEYS for approval.
- f. To certify internal and external financial reports on a monthly and quarterly and annually basis for internal management purpose and submit to the Departmental Director and related department and UNDP/DFID staff for review and approval. Internal financial reports must at least include:
 - ✓ Statement of Incomes and Expenditure
 - ✓ Statement of Bank and Cash Status
 - ✓ Statement of Outstanding Advances
 - ✓ Bank Reconciliation and Cash Count Minutes
 - ✓ Outstanding obligation Report

- ✓ Financial report (FR) for DFID and UNDP requirement and Combined Delivery Report (CDR).

- g. To certify on formulation the related departments budget, and monitor its implementation.
- h. To ensure that auditors' recommendations are implemented once they have been endorsed by the related department management.
- i. To represent the Finance Department in relevant meetings and events.
- j. To carry out any other tasks assigned by the supervising manager or the related departments' senior management.
- k. To monitor and supervise all tasks performed by the Accountant and vice chief accountant and the Cashier.

D. The Vice-Chief Accountant (VCA)

- a. To review all transactions, e.g. payment of invoices, request for advance, request for expenditure, request for cash replenishment etc
- b. To prepare financial reports and financial statements to be submitted to the CA for review.
- c. To prepare internal and external financial reports on a monthly and quarterly and annually basis for internal management purpose and submit to the CA. Internal financial reports must at least include:
 - ✓ Statement of Incomes and Expenditure
 - ✓ Statement of Bank and Cash Status
 - ✓ Statement of Outstanding Advances
 - ✓ Bank Reconciliation and Cash Count Minutes
 - ✓ Outstanding obligation Report
 - ✓ Financial report (FR) for DFID and UNDP requirement and verifying the Combined Delivery Report (CDR) prepared by UNDP.
- d. To formulate the related departments budget, and monitor its implementation.
- e. To carry out any other tasks assigned by the supervising manager or the related departments' senior management.
- f. To monitor and supervise all tasks performed by the Accountant and the Cashier.
- g. To review accounting records and documentation on a regular basis.

E. The Finance Officer and Finance Assistant

- a. To gather information to prepare budgets for the Finance departments.
- b. To raise the proposed budgets for related departments.
- c. To prepare request for releasing fund.
- d. To ensure the timely distribution and transfer of funds to related departments.
- e. To prepare an analysis reports on expenditures to related departments if required.
- f. To control the related department management and ensure that funds are used efficiently and financial procedure is followed.
- g. To prepare a proposal or immediately report to the Director of the DFPTT all irregularities as a way of solving problems.
- h. To communicate and report monthly, quarterly, annually actual versus budget reporting to the related departments on fund movements, and comment on the efficient use the budget if necessary.

- i. To check and verify the bank reconciliation and report to the related departments the cash payment every year-end
- j. To send fund receipt notes or payment notes and related documents to the Accountant for verification.

F. The Accountant and Assistant Accountant

- a. To operate the accounting system: preparing all kinds of vouchers, reviewing supporting documents, recording processed transactions in the proper accounts and books, generating the related departments financial statements and reports, ensuring that the accounting records are filed in safe conditions.
- b. To review payment requests and issue payment vouchers and cheques for the signature of the related departments certifying and approving officers.
- c. To keep updated the Chart of Accounts and accounting procedures.
- d. To carry out checks and review as required by the related departments internal control system.
- e. To provide assistance to auditors (internal auditor, and independent auditor).
- f. To control the proper use of the petty cash fund.
- g. To keep updated backup information of the Implementation Contracts.
- h. To control the petty cash fund management.

G. The Cashier

- a. To handle payments out of the petty cash, and keep updated the petty cash record.
- b. To remit cheques or funds to the beneficiaries designated in the payment voucher.
- c. To communicate with banks about money transfer, credit advice bank statements and ask bank balance for DFPTT's account.
- d. To inform the CA and project management staff when the level of petty cash in the safe is below the minimum level required and prepare the request for replenishment to be submitted to the CA and project management staff for approval.
- e. To perform monthly cash counts and reconcile this with the petty cash book as well as accounting records with the Accountant under the supervision of the CA. To document the cash count and file for record.
- f. To report to the CA on a regular basis as money transfer, cash balance in bank, petty cash balance any issues relating to cash.

5. CASH AND BANK

5.1 Cash on Hand (or Petty Cash)

The Department of Finance Programme Task Team (DFPTT) and the Department of School Health (SHD) will have their own Petty Cash fund for the operational support.

The DFPTT's Cashier will hold a petty cash fund up to a maximum of US\$2,000 and SHD's Cashier will hold a maximum of US\$1,000 to meet non-recurring petty expenditures.

The following rules will apply to the operation of the petty cash fund at both DFPTT and SHD:

5.1.1 Establishment of the Petty Cash

- The DFPTT's and SHD's Cashier prepares a Payment Voucher, and a cheque for the amount of the petty fund.
- After certification, and authorisation by the Director of Finance, the Cashier withdraws the funds from the bank. The Cashier records the amount received in the Petty Cash Book. (**Appendix 4**)

5.1.2 Custody

- The petty cash should be kept in a petty cash box, which is kept in a safe vault under the custody of the Cashier at the office.
- The safety box should be kept in the safe vault every evening before closing the working day.

5.1.3 Payment

- Any single payment out of the petty cash fund must not exceed \$300 (or any other ceiling to be decided by the DFPTT management).
- DSA, salary and allowance cannot be paid from the petty cash fund.
- For each payment, the Cashier prepares a Petty Cash Payment Voucher (**Appendix 3**) (supported by proper expenditure documentation) that is Checked by the Chief Accountant, Certified by Deputy Director of Finance and approved by the Director of Finance for DFPTT's petty cash and Director of SHD for SHD's petty cash fund.
- Upon authorisation of the payment, the Cashier remits the funds to the payee, enters the transaction in the Petty Cash Record, and keeps the payment documents in the safe box together with the remaining money.

5.1.4 Replenishment

- The Petty Cash Fund is replenished every time the cash balance reaches an amount equivalent to less than 50% of the Petty Cash Fund level.
- The petty cash fund should subject to spot checks by the Deputy Director Of Finance or the Director of Finance in case of DFPTT and Director SHD in case of SHD. The Deputy Director of Finance and Director of Finance must carry out regular review of the petty cash operation, to ensure proper handling of the fund. The Cash

Count Reconciliation Sheet (**Appendix 6**) is prepared every time the petty cash fund is checked. The Director of Finance and the petty cash custodian sign on the Count Sheet. And Petty Cash Replenishment Request (**Appendix 5, 5.1**).

5.2 Cash in Bank

5.2.1 Custody

- Funds from DFID will be transferred to a special account at the Foreign Trade Bank of Cambodia (FTB).
- Accounts maintained for bank account at FTB should be independently controlled by the Director of Finance, Director General of Administration and Finance, and Director General of General Education.
- Bank statements will be addressed to the MoEYS. The Accountant will be responsible for ensuring that monthly statements are promptly received.
- Based on the below table extracted from bank account registration card dated 29-June-2005, cheques and bank transfers should be authorized and signed.

Category A	Category B
Director General of Education	Director of Department of Finance
Director General Administration and Finance	Deputy Director of Department of Finance

All operation on the Account must have Double Signatures one each from the Category A and Category B.

5.2.2 Receipts

- When cash is credited to the bank from DFID/UNDP or the government, a notification/ credit note should be received from the bank.
- A Receipt Voucher ("RV", **Appendix 1**) should be completed by the Vice-Chief Accountant. RV, together with the notification/ credit note from the bank, should be forwarded to the Chief Accountant for review. It will be passed to the Deputy Director of Finance for verification. The review should include the verification of the account code.
- All RV should be sequentially pre-numbered.
- The Accountant will then input the receipts per RV into the computerized accounting system (Peachtree), following the posting procedures outlined in the computer procedures manual.
- The Receipt Vouchers, together with the supporting documentation, should Be filed in the Bank Receipts file in numerical order and by month.

5.2.3 Payments

- All payments should be made by bank transfer or cheques unless there is proper justification for payment in cash. Suppliers and subcontractors should be strongly encouraged to accept cheques or bank transfer.
- Once valid and original invoices or fund requests or salary supplement have been properly approved for payment, a Disbursement Voucher (DV, **Appendix 2**) should be prepared by the Accountant.
- All DVs should be sequentially pre-numbered.
- The DV, with all supporting documents attached, should be forwarded to the Chief Accountant and then to Finance Officer for review and verification and then forwarded to the Deputy Director of Finance for certification and then to the Director of Finance for approval.
- The above documents will then be returned to the Chief Accountant who will check the signatures. The supporting documents should be stamped "PAID" immediately after approval to ensure there is no duplication of payment. The Chief Accountant will also review the DV, including verification of the account code, for entry in computerized accounting system.
- The Accountant will enter the daily payment per DV into the computerized accounting system (Peachtree), following the posting procedures outlined in the computer procedures manual.
- DV, together with the supporting documentation, should be filed in the Bank Payments file in numerical order and by month.

5.2.4 Bank Reconciliation

- The Bank Reconciliation (**Appendix 7**) should be prepared by the Vice-Chief Accountant at the end of each month. The purpose of this control is to compare the closing bank balance per general ledger in the computerized accounting system with the balance in the bank statement. All reconciling items should be properly identified, explained and approved.
- The Chief Accountant will review and verify the Bank Reconciliation and forwarded to the Deputy Director of Finance for certification and then to Director of Finance for approval.
- Bank Reconciliations are to be filed by the Accountant with the respective bank statements for the month in the file of Month-end Reports.

6. CASH ADVANCES (Per Diems, Allowances)

Cash advances will be given for the purposes of travel, training, workshop and meeting.

Requests and Payment

- i. Cash Advance Request (**Appendix 8**) should be prepared by the person requesting the fund in the respective Department in MoEYS.
- ii. The Advance Request should not be more than US\$500.00 per person per time.
- iii. Once agreed and approved by the Departmental Director, the request should be submitted to the Chief Accountant for review and forwarded to the Director of Finance Department, together with a duly completed DV or PCV (see above), for approval. The verifier should refer to Per Diem Rate (**Annex A**) for the standard rates for the per diems, allowances.
- iv. The DV will be prepared by the Accountant The PCV will be prepared by the Cashier and must clearly indicate the transaction as an advance and be coded as such for recording into the computerized accounting system.
- v. The DV or PCV should be signed by the requisitioned upon receipt of the money or cheque.
- vi. The advance must then be entered in the Advance Control Book and Reconciliation (**Appendix 10**) in order to control the entire advance in the month by the Chief Accountant.
- vii. The Advance Request should be filed with the DV or PCV accordingly by the accountant or cashier.
- viii. The cash advance under US\$300 must be paid by cash (except the traveling and salary expense) and the amount equal or more than US\$300 must be paid by cheque.

6.2 Clearance and Payment for Per Diems, allowances

- i. As stated on the Advance Request signed by the requisitioned, the advance must be cleared within two (2) weeks after the completion of the travel for which it was granted. No allowances/per diems or advances shall be released until a liquidation report or expense report on the previous allowances/per diems and cash advance has been submitted. A travel report duly-cleared by the supervisor of the staff should also be attached as support document.
- ii. The recipient of the advance or the per diems allowances must provide an Expense Report (**Appendix 9**) detailing all payments made, supported by original invoices or expense receipts. The Accountant will be responsible for ensuring that this is done.
- iii. The Vice-Chief Accountant upon confirmation that all payments are supported by valid and original documentation, will forward to the Chief Accountant authorize to check the Expenditure Report as follows:
 - If the total expenses are less than or equal to the advance taken, the Expenditure Report should be checked and verified by the Chief Accountant.

- If the total expenses are greater than the advance taken, the Expenditure Report should be submitted to the Director of Finance Department for Approval and Petty Cash Payment procedure should be followed.
- iv. Based on the outcome of step (iii) the corresponding transaction will be recorded into the Peachtree accounting software using the computerized accounting manual.

6.3 Reconciliation

- i. At the end of each month, the Chief Accountant using the Advance Control Book sheet should conduct advance reconciliation. The total of the outstanding advances per the Advance Control Book should be reconciled to the general ledger account in the computerized accounting system. Any differences must be immediately investigated.
- ii. The Advance Control Book sheet should be signed at the end of each month by the individual to confirm outstanding balances.

7. BUDGET PREPARATION AND CONTROL

This section discusses the policies and procedures for the budget preparation, budget revision and budgetary control.

A budget basically drives the different implementing departments in MoEYS including Department of Finance Programmed Task Team (DFPTT). Therefore, it is important that policy should be in place to govern its preparation, revision and control.

Peachtree computerized accounting system for budgeting, control and reporting system is used at MoEYS.

7.1 Budget Preparation

7.1.1 Policy

- (a) All expenditures must be based on an approved budget. The budget is categorized as Annual Budget (AB) and Quarterly Budget (QB).
- (b) The preparation of the budget must be based on the Annual Work Plan (AWP) that is coordinated by Inter-Committee on HIV/AIDS (ICHA). The AWP is to be used as a basis of the preparation for both AB and QB.
- (c) DFPTT have to closely cooperate in sharing information with implementing departments of MoEYS on a specific activity level that is consistent with available funding.
- (d) In a particular circumstance such as emerging activities, funding shortage, and other unplanned operations, DFPTT shall calculate an amount up to 5% of total activity costs for Contingencies budget line. This applies to DFID supported activities only.
- (e) A subsidiary budget template for budget preparation must be developed for each implementing department. The subsidiary budget template must include all relevant expenditure account codes from the chart of accounts and must be broken down into four quarterly periods. The approved AWP must be considered when filling out the budget template.
- (f) DFPTT must produce a master budget which is generated from the subsidiary budget templates from all implementing departments. The master budget must be in the form of budget lines and broken down into four quarter periods.
- (g) All budget categories must be input into Peachtree accounting system. DFPTT must ensure the accuracy and update of the final budget approval in the Peachtree accounting system in case of any budget revision made.

7.1.2 Annual Budget (AB)

- (a) AB is prepared for supporting the work plan of the year.
- (b) The AB should be prepared each year before the year-end and should correspond to the approved AWP and the operation activity level that is anticipated for the upcoming year.

7.1.3 Quarterly Budget (QB)

- (a) The main purpose of the QB is to break down the annual budget into a shorter time period which is equivalent to each three-month period that is normally called “quarter”.
- (b) A QB must be prepared prior to the end of the current period and subject to the quarterly work plan (QWP) that is anticipated for the upcoming quarter.
- (c) Each department must reconfirm its QWP to DFPTT at least 3 weeks before the end of each quarter.
- (d) The QWP needs the budget requirement inputs from the various implementing departments within MoEYS.
- (e) In a particular circumstance, a quarterly budget plan may need to be revised in a specific period, if necessary. For the details of budget revision, please refer to Section 3 Budget Revision.

7.1.4 Budget Approval Authority

The proposed quarterly and annual budgets must be approved by different authority due to the nature of the budget category.

- (a) A proposed master budget prepared by the DFPTT and generated from the subsidiary budget templates from each implementing department must be submitted to ICHA for review. The reviewed budget must be consolidated into quarterly and annual budget plans by the budget sections. ICHA must again review the resubmission of the consolidated budget plans before submitting it to obtain the appropriate approvals from the upper levels.
- (b) The Director of DFPTT must submit the quarterly and annual budget plans to UNDP for final approval.
- (c) For the approval of the budget revision, please refer to Section 3 Budget Revision below.

7.1.5 Roles and Responsibilities

(a) DIRECTOR OF DFPTT

- To coordinate and play a central role in the budget preparation and Management process
- To request budget inputs from the Directors of various implementing departments and to ensure the budget data is received appropriately;
- To participate actively in the preparation of the annual and quarterly budgets in obtaining appropriate approvals;
- To provide needed reports to the Directors of various implementing departments to allow them to control and manage their budgets;
- To ensure MoEYS budget preparation and control process, including Commitments and budget transfers, are running in an orderly manner; and
- To report any adverse budget variances or other matters of concern to the Directors of the appropriate implementing departments and to ICHA.

- To approve the budget control reports submitted by the Directors of the implementing departments.

(b) DEPARTMENTAL DIRECTORS

- To respond quickly to the requests from the Director of DFPTT in relation to the following matters:
 - a. Preparation of budget inputs related to the AWP and quarterly requirements;
 - b. Submission of the subsidiary budget template to DFPTT.
 - c. Submission of a budget control report which includes a variance analysis.
- To monitor monthly financial reports and follow up on adverse variances.

(c) BUDGET OFFICER

- To facilitate and assist the Director of DFPTT in budget preparation process;
- To check and verify the expenditures against the approved budget on the transaction basis;
- To assist Director of DFPTT in communicating the status of the budget to the other implementing departments;
- To verify the quarterly financial reports prepared by the Chief accountants.

7.2 Annual Work Plan (AWP)

7.2.1 Purpose of AWP

The outputs and activities outlined in AWP should be consistent with and in direct support of the overall programming approach adopted by MoEYS in response to HIV/AIDS. The overall programming approach is a “Twin-Track Approach” which includes the following:

- To provide all students in primary and secondary education with the knowledge, skills and values that will enable them to respond to the threat of HIV/AIDS in a manner that safeguards themselves and others.
- To mainstream awareness of and responses to HIV/AIDS across all MoEYS departments and programs in order to ensure that policies, strategies and planning processes take full cognizance of the potential implications of HIV/AIDS and are part of a coherent response aimed at reducing the impact of HIV/AIDS. Annual Work Plan (AWP) (**Annex B, B.1**)

7.2.2 Planning Process

AWP is a MoEYS-led exercise with participation and contribution from all technical departments. The planning process of preparation of AWP must be coordinated by ICHA Technical Secretariat. The process should include:

- ICHA working Group consisting of MoEYS implementing departments should meet and discuss AWP of the following year in early December of the current year.

- MoEYS departmental meetings should be held to prepare for departmental work plans of the following year in mid-December of the current year.
- ICHA Technical Secretariat and DFPTT, in conjunction with individual departments, prioritize AWP of the following year in late December of the current year.
- ICHA Committee should review the next year's AWP in late December of the current year.

7.2.3 Policy and Strategies

ICHA should plan to undertake a number of policy and strategic planning initiatives. The objective is to harmonize the HIV/AIDS programmed with MoEYS long-term EFA plan, medium-term Education Strategy Plan (ESP) and Education Sector Support Programme (ESSP). The priority activities include:

- (a) Formulate the MoEYS HIV/AIDS policy, as part of the ESP revision, if necessary.
- (b) Set programme's long- and medium-term performance targets to enable a results-based focus in future programmed framework.
- (c) Conduct action research to enable formulation of a comprehensive mainstreaming strategic framework.
- (d) Conduct baseline survey in order to enable monitoring and assessment of progress made each year against policy objectives and targets.
- (e) 2003 AWP should be used as a basis for the formulation of the following years' AWP.

7.2.4 Procedures

- (a) The AWP will comprise main budget lines against key outputs, with an indicative breakdown of sub-budget lines against activities. Main budget lines will be based on the indicative Financing Plan.
- (b) The AWP is first reviewed and ratified by the ICHA and submitted for authorization to the program Steering Committee.
- (c) The AWP forms the basis for the detailed work-plans (micro-budgets) that will outline individual expenditures against activities and inputs.
- (d) Any further adjustments to the detailed and quarterly work-plans will require the authorization of the Director General, DGE and PSO. The Director of the Implementing Departments will submit the request for the adjustments to the Director General.
- (e) An outline of the format for the annual work-plan and detailed work-plan (micro-budgets) is provided in Appendix 1.

7.3 Budget Revision

7.3.1 Rationale

In the interest of sound financial management, a budget must be kept up-to-date, whether or not any changes need to be made in the objectives, expected results, outputs, activities, indicators and inputs, or in the budget total.

7.3.2 Policy

- (a) An annual mandatory revision is prepared by UNDP no later than the end of April to reflect the actual and final expenditure of the previous year and the proposed financial requirements for the current year.
- (b) A regular budget revision is also prepared by UNDP, during the period between October and November each year, to update the estimate of expenditure for the current year. To this effect, MoEYS must provide UNDP with a report on expenditure every three months.
- (c) MoEYS must prepare a budget revision within two months of the approval of the project document to reflect the actual starting date and to enable the preparation of a realistic plan for the provision of inputs for the first full year.

7.3.3 Procedures

- (a) Revision may be prepared as a follow-up to recommendations or decisions of project review or steering committee meetings, to changes in the work plan or to monitoring reports. MoEYS normally initiates the revision where it appears that an adjustment between budget lines would be more likely to produce results or where the budget is insufficient to cover the agreed inputs. Substantive revisions must be agreed between the partners concerned.
- (b) All signatories to the original project document must sign the revision when it involves a change in the objectives or outputs.
- (c) A revision of the document should contain the following items:
 - Cover page.
 - Justification. This is provided on the cover page if the revision is straightforward, such as mandatory budget revision. Otherwise, any changes in objectives, outputs, activities or inputs must be explained on separate pages.
 - Revised output/ activity/ input and budget tables.

7.4 Budgetary Controls

The purposes of budgetary controls at MoEYS are:

- To ensure that actual expenditure items do not exceed the approved budget lines for those expenditure items;
- To take controlling action when actual results significantly differ from the budget; and
- To take corrective measures by identifying what has gone wrong and the reasons.

The budgetary controls must be performed at transaction levels, monthly, quarterly and annually. The details of these controls are discussed below.

7.4.1 Budgetary control at transaction levels

Before approving a request for cash advances made by an implementing department, the Director of DFPTT must review the remaining budget line against which the cash advances are requested to ensure the amount of cash advances requested do not exceed to the remaining budget line.

7.4.2 Monthly Budgetary control

Since the quarterly financial report is required by UNDP, a monthly report serves as an important tool used internally to control the budget allocated to each implementing department. The detail procedures are as follows:

- (a) Within seven days from the end of each month, the Director of DFPTT must provide the Director of each implementing department with the appropriate monthly financial reports so that the departmental directors can control and manage their own budgets. The departmental Directors must manage their budgets accordingly.
- (b) The monthly financial report must contain the actual expenditure incurred by each implementing department, the approved budget lines allocated for each implementing department and the remaining budget lines.
- (c) Each departmental Director may request budget transfers between line items within their jurisdiction. The transfers should be approved by the Director of DFPTT and promptly entered into Peachtree by the Budget Officer of DFPTT.

7.4.3 Quarterly Budgetary Control

- (a) Within seven days from the end of each quarter, the Director of DFPTT must provide the Director of each implementing department with the appropriate quarterly financial reports.
- (b) The quarterly financial report must contain the actual expenditure incurred by each implementing department, the approved budget lines allocated for each implementing department and the variances.
- (c) A budget control report must be prepared by the director of each implementing department and should identify the variance between actual and budgeted expenses and also the unspent budget balance remaining for each budget line item. A variance analysis must be included in the budget control report. Any variances over or under 5% of the expenditure line item should be explained. The budget control report must be submitted to the DFPTT for approval.
- (d) The Director of each implementing department may request budget transfers between line items within their authorization. The transfers should be approved by the Director of DFPTT and promptly entered into Peachtree by the Budget Officer of DFPTT.

7.4.4 Annual Budgetary control

- (a) All expenditure must be controlled so that it does not exceed budgeted amounts that have been authorized.
- (b) The Director of DFPTT must compile the approved variance analysis of each implementing department and maintain the complete variance analysis for the purpose of an external audit.

8. PROCUREMENT PROCEDURES

Introduction

Objectives of Policy

This section addresses specifically procurement of goods and services.

Scope of the Policy

This section describes the policy and procedures for procurement of goods and services.

- In all cases of procurement, both an invoice and receipt is required for the purchase of all goods and services.
- In the case of air travel, the original ticket and boarding pass must be presented for reimbursement.
- For any procurement over US\$30,000, a fully documented procurement report will be copied to donors for their records.
- For procurement of any consultancy services and civil works, a fully documented procurement report will be copied to donors for their records.

Definition

Procurement of goods represents the purchase of goods from suppliers.

Procurement of services represents the hiring services from an individual, consultancy firms, or large NGOs.

Policy

Procurement of Goods

A. Authorization Policy

To ensure that procurement of goods are managed properly according to MoEYS policy:

- i. For the MoEYS implementing Director Department approval, DFPTT will provide a staff to joint.
- ii. For the MoEYS Director General Education, Director General Administration and Finance approval, which supported document by DFPTT?
- iii. For the MoEYS Leader approval, which supported document by Department of Finance Program Task Team?

B. Procurement Policy

- i. For goods valued at less than US\$300, a simple purchase without quotations may be used.
- ii. For goods valued US\$300 to less than US\$2,500, direct purchase procedures will be used: three quotations will be required, following appropriate guidelines and formats for letters requesting quotations, evaluation of quotations, contracts, etc.
- iii. For goods valued from US\$2,500 to less than US\$100,000 local competitive Bidding (LCB) procedure will be followed.

- iv. For goods valued equal or more than US\$100,000 International Competitive Bidding (ICB) Procedures will be followed.

Procurement Authorization of goods is as in the following table:

Table 1: Authorization for Procurement of Goods

Value	Approval	Method
< US\$300	Departmental Director	Simple purchase
US\$300- <US\$2,500	Departmental Director	3 Quotations
US \$2,500 - <US\$100,000	DG, DGE and DGAF	LCB
> US\$100,000	MoEYS Leader	ICB

C. General Policy

Early each year, proposal of request for all office supplies and equipments needed for medium and long term (see 10.2.2, page 45) should be submitted by all Strengthening Cambodia's Response to HIV/AIDS Programme implementing departments to Department of Finance (DFPTT) for procurement.

Procurement of Services

A. Agreement to Perform Work (APW)

- i. This procedure is used for services valued at less than US\$300, such as translating documents, typing, data entry, photocopying, and supply of materials, maintenance or repair....
- ii. When APW is used it should be followed by specifying the name and address of the contractor, the services to be provided, and the amount of the APW.
- iii. APWs may be approved and signed by the Implementing Departmental Director, MoEYS.

B. Individual Consultants

Individual consultants will be recruited by MoEYS using the following procedure:

Table 2: Summary of Recruitment Procedure – Individual consultants

Step	Activity	Performed	Approved
1	Prepare Terms of Reference and Evaluation Criteria	MoEYS Department	DG, DGE or DG, DGAF
2	Advertise	MoEYS Department	MoEYS Department
3	Collect CVs and make long list (5-7 candidates)	MoEYS Department	MoEYS Department
4	Appoint selection panel	MoEYS Department	DG, DGE or DG, DGAF
5	Evaluate CVs and make short-list (2-3 candidates minimum)	Selection panel	MoEYS Department
6	Interview of the short-listed candidates	Selection panel	MoEYS Department
7	Select, negotiate availability, etc	Selection panel	MoEYS Department
8	Draft contract, set rate	MoEYS Department & DFPTT	DFPTT
9	Recruit	MoEYS Department	DG, DGE or DG, DGAF

C. Consultant Firms and large NGOs

MoEYS will select and engage consulting firms and NGOs to implement certain Program activities, such as:

- i Peer education, monk sensitization, monitoring and evaluation, or training. The procurement process will be in accordance with arrangements satisfactory to MoEYS.
- ii In some cases direct selection procedures may be applied. Direct selection may be justified in cases where one qualified agency is available to undertake a particular activity. However, prior to the application of the direct selection procedures, DG, DGE, or DG, DGAF, MoEYS will certify that all other sources of competitive expertise have been reviewed and were found unsuitable.

Table 3: Summary of Recruitment Procedure – Consultant Firms and Large NGOs

Step	Activity	Performed	Approved
1	Prepare Terms of Reference and Evaluation Criteria	MoEYS Department	DG, DGE or DG, DGAF
2	Advertise or Request for Expressions of Interest or Bidding. Under UNDP rules and policies, the identification of a single source or direct negotiation could be undertaken when: (a) there is only one candidate/ contractor qualified and/or available to provide the services; (b) urgent or emergency situations or when time is of the essence, as certified/recommended by the Head of the executing agency and agreed by the all parties involved; (c) failure to award the contract after undertaking competitive selection process for valid cause(s). The agency has to formally submit a request letter to UNDP, and copied to DFID, providing the justification for undertaking this option, as well as the relevant documents pertaining to the endorsed individual, contractor or supplier.	MoEYS Department	MoEYS Department
3	Make long list (1-5 candidates)	MoEYS Department	MoEYS Department
4	Appoint selection panel	MoEYS Department	DG, DGE or DG, DGAF
5	Evaluate	Selection panel	MoEYS Department
6	Interview or Discussion	Selection panel	MoEYS Department
7	Draft contract, set rate	MoEYS Department, DFPTT	DG, DGE or DG, DGAF
8	Recruit	MoEYS Department	DG, DGE or DG, DGAF

iii. Procurement of Civil Works

For renovations and civil works projects (under US\$30,000) the following procedure should be applied.

- 1) Prepare proposal for renovation/construction and obtain MoEYS approval.
however usually this approval is already given in the Annual Work Plan.
- 2) Set up an assessment team; this should comprise the civil works engineer from the MoEYS (department of state assets), the MoEYS Procurement Officer, representative(s) of the concerned MoEYS Department (e.g. if for a unit in a Teacher Training College, the Teacher Training Department), Provincial Education Office (PEO), if outside Phnom Penh.
- 3) The team should visit the proposed site and make an assessment report; this must be endorsed by ALL team members, and then submitted to the DG, DGE of MoEYS. The report should include a description of the existing facilities/structure (if any), plans for the proposed renovation/construction, and a Bill of Quantities, based on the plan.
- 4) At least three quotations will then be requested.
- 5) Quotations will be evaluated and the contract awarded. The terms of the contract will include 20% of the total contract cost on signing, 70% spaced over the course of the work, and 10% retained until the completion certificate is issued by MoEYS.
- 6) The MoEYS Department or local PEO will supervise the work; and the assessment team will visit on completion. On the report, MoEYS will issue a certificate of completion.
- 7) Payment of the final 10% to the contractor.

Table 4: Summary of steps in procurement of small works

Step	Activity	Performed	Approved
1	Prepare proposal	ID*/DFPTT	DG, DGE or DG, DGAF
2	Appoint Assessment Team	ID*/DFPTT	DG, DGE or DG, DGAF
3	Assessment visit and Report	ID*/DFPTT	DG, DGE or DG, DGAF
4	3 Quotations requested	ID*/DFPTT	DG, DGE or DG, DGAF
5	Evaluation and contract award	ID*/DFPTT	DG, DGE or DG, DGAF
6	Supervision of work	ID*/DFPTT	DG, DGE or DG, DGAF
8	Certificate of completion	ID*/DFPTT	DG, DGE or DG, DGAF
7	Final Payment	ID*/DFPTT	DG, DGE or DG, DGAF

* ID as Implementing MoEYS Department

Note:

- Material Requirement List (**Appendix 11**)
- Quotation Schedule (**Appendix 12**)
- Purchase Order (**Appendix 13**)
- Purchase Order Log (**Appendix 14**)
- Service Request Form (**Annex D**)
- Request for Direct Payment Form (**Annex E**)

9. COMPUTERIZED ACCOUNTING SYSTEM MANAGEMENT

Accounting System Application

Peachtree application is used to ensure that all accounting and financial transactions are kept and maintained as stated in section 2, paragraph 4.

Access and Authority

Director of Finance Department (DFPPT) administer all accounting and financial transactions incurred.

The right to create, change, and disable users is under authority of Director of Finance Department (DFPTT) or if necessary this right can be delegated to an official under supervision of DFPTT in order to make sure the use of the system is follows the accounting and financial principle. Each officials employed in DFPPT have been given permission by Director of Finance Department (DFPPT) to access, view, entry/entries, and edit accounting and financial transactions according to her/his roles and responsibilities (as stated in section 4) as mentioned in Annex G.

Safeguard and Security

It is so important to back-up data file in order to avoid from losing data when the system is collapsed. The diary back-up of the whole system is a mechanism to ensure the data safeguard.

Once a week a complete back-up of the whole data should be made onto diskette/CD or tape and kept in the safe place.

10. FIXED ASSETS AND INVENTORY PROCEDURES

Fixed Assets (Non Expendable Items)

10.1.1 Rationale

Fixed assets belonging to the DFPTT are expressed in USD. A specific policy is needed to ensure the effective, efficient and economical management of assets throughout departments.

A Tangible asset is a fixed asset which is owned by the DFPTT, has a value of more than US\$300 or over and an expected life of one year or more including buildings, land, communication equipment, vehicles, office machines, furniture, photocopy machines, computers, laptop computers, telephones, and radio communication devices. Fixed assets are entered in the Fixed Asset Register and depreciated on an annual basis.

An Intangible asset is a fixed asset that has no physical substance including software, software licences, other licence etc.

10.1.2 Accounting for Fixed Assets

- a. Once purchased, fixed assets must be classified under appropriate categories in the Fixed Assets Register.
- b. Depreciation is provided on a straight-line basis on the cost of the fixed assets.
- c. The definition of the useful life of the assets is in accordance with Ministry of Finance guidelines.
- d. All fixed assets of the DFPTT are registered with depreciation policies (i.e. estimated useful life for depreciation charge, proposal for changes of fixed assets useful of residual life). The approval of the Executing Agency must be issued in a document to the DFPTT before applying.
- e. A General Journal (**Appendix 15**) will be used to put through the depreciation.
- f. "Accumulated depreciation" is the total depreciation charged against the asset to date. Each asset is valued at cost less accumulated depreciation in accordance with the historical cost convention. Also, the recording of the accumulated depreciation ensures that no more depreciation is charged when the net book value is zero (the asset has been fully depreciated).
- g. Gain or loss on the disposal of fixed assets is recognised in the Income and Expenditure Statements as Extraordinary Items.

10.1.3 Fixed Asset Acquisition

- a. A user department in need of a fixed asset is required to fill in a Purchase Requisition (**Appendix 11**) for Procurement. Significant purchases must be supported by fee estimation. The form must also bear the signature of the Departmental Director of DFPTT. This is to facilitate the review and monitoring of the spending against the approved budget lines.
- b. The form is then verified by the Chief Accountant and submitted to the Departmental Director for authorisation of the purchase. Authorisation is given
Only if the purchase is in line with the approved budget.
- c. Once authorised by the Departmental Director, the form is returned to the DFPTT who finds an appropriate supplier/vendor. At least three quotations should be obtained for any purchase of fixed asset items.

- d. Quotations will be assessed to select the most competitive one. The selected quotation will then be submitted to the Chief Accountant for review against the approved budget and to the Departmental Director for approval of purchase terms. Once it is approved, the purchase order is prepared and sent to the supplier, and then a contract for purchase will be concluded with the supplier. The authorised signatory to the contract must be the Departmental Director or a person to whom he/she delegates this task as per the procurement policies section.
- e. The DFPTT will be responsible for taking delivery of the fixed assets once they are delivered to the DFPTT's office. The member of the DFPTT concerned needs to obtain all relevant source/supporting documents such as the invoice, delivery notes, warranty card, etc. as applicable. Goods Receipt Note (**Appendix 18**) will be prepared and signed by the deliverer and recipient of the fixed assets purchased.
- f. Based on these supporting documents, a Request for Payment is filled in by the DFPTT. The request will be placed with the head of the department responsible for the subsequent review and settlement by the Accounting Department.
- g. The Accountant in the Accounting Department prepares a payment voucher together with cheques or telegraphic transfer requests as appropriate. This set of payment documents are verified by the Chief Accountant and approved by the Departmental Director. All of this process of verification and approval must be evidenced by their signatures.
- h. Details will be updated into the Fixed Assets Register.
- i. The Fixed Assets Register is maintained using an Excel spreadsheet. It is a record of all the assets owned by the DFPTT. Details of the fixed assets in the register include:
 - The asset identification number/code
 - Serial Number
 - Location
 - Funding organization
 - Description of the asset (name, specifications)
 - Purchase details: cost, date of purchase, supplier, and location/user
 - Disposal details: date of disposal, proceeds
 - Depreciation charge for the year and accumulated depreciation (beginning and end of the year)
 - Net book value.
- j. For fixed assets items received as gifts or donations, a journal entry should be prepared. The transaction will be recognised as an increase in income and fixed assets Non-Expendable Property and Equipment Register (> 1 year) (**Appendix 21**).

10.1.4 Disposal

- a. Users may recommend disposal of a fixed asset. The DFPTT is responsible for investigating and assessing the request of the user and for issuing a memo of its disposal to the Chief Accountant and the DFPTT to review, and to the Departmental Director for approval.

- b. Based on the information provided by the DFPTT with regard to the status of the asset and verification by the Chief Accountant and the DFPTT, the Director General of Education will decide whether to authorise the disposal.
- c. Once the disposal is authorised by the Departmental Director, the DFPTT will prepare the final “list of assets to be disposed of”. Based on this final list, the Chief Accountant will provide further information including historical cost, accumulated depreciation, net book value and suggested sale proceeds/selling prices of each individual item in the list.
- d. The list will be submitted to the Director General Education again for approval of the disposal terms. Items with a high value will be subject to a bidding process.
- e. Once a buyer has been identified and accepted, the Accounting Department issues an invoice and collects the proceeds. The invoice will be treated as the supporting document of the disposal. Fixed Assets Disposal Minutes will be prepared by the Accounting Department.
- f. The Fixed Assets Register needs to be updated upon completion of the disposal by removing disposed items from the Fixed Assets Register.

10.1.5 Fixed Assets Count

- a. Fixed assets will be counted at least once a year (it should normally be twice a year). The count results will be reconciled to the Fixed Assets Register. Any differences revealed from the reconciliation will be investigated by the Chief Accountant and the Deputy Director of DFPTT and proper follow-up action taken.
- b. The Department of Finance and the relevant department will be responsible for carrying out the count.
- c. Minutes will be prepared to document the count.

10.1.6 Utilizations

- a. Fixed assets owned by the DFPTT are used for the purpose of the operation of the DFPTT only. Private use is not allowed.
- b. Where an asset is idle and an employee wishes to temporarily use it for a private purpose, he/she will be charged for the utilisation on an arm’s length basis or at a rate offered by the General Director of Education.

10.1.7 Idle Fixed Assets

- a. When fixed assets become idle (non-functioning fixed assets), they must be entered in the Idle Fixed Assets Register. Details in the Idle Fixed Asset Register will be similar to the Fixed Assets Register as discussed above.

10.1.8 Disposed off assets and fully depreciated assets

- a. Items that have been sold or otherwise disposed of during the year will not appear in the Fixed Assets Register. Assets, which have been fully depreciated, will also be excluded from the Fixed Assets Register, but should still be recorded in the stock register.

Inventory (Expendable Items)

10.2.1 Introduction

- a. The objective of this policy is to ensure that inventory items meet DFPTT's operational requirements for effective program delivery in a cost effective manner.
- b. This subsection discusses supplies and other non-monetary assets that are not yet in circulation but have been purchased and are being held in an Inventory for the purpose of distribution to DFPTT users.

10.2.2 Material

This refers to movable property, including equipment and stores, other than money and real property. It comprises raw materials and manufactured products; short-term consumable items such as stationary items paper and books; small durable items such as cameras and technical equipment; medium-size items such as office equipment, computers and furniture; and large items such as vehicles and trucks.

10.2.3 Policy

There should be a sufficient inventory on hand to meet DFPTT's immediate operational requirements, while at the same time; there should be a minimization of the carrying costs in terms of acquisition and warehouse expenses, and minimization of the risk of spoilage, pilferage and obsolescence.

10.2.4 Record keeping

- a. The DFPTT should ensure that requirements for accounting and financial control over inventories, including clear identification of inventories that must be controlled, are communicated to functional managers responsible for custody of inventories.
- b. Accounting and control procedures are basically the same for the purchase of inventories as they are for regular transactions, but because inventories have continuing and often a significant value for some time after their purchase, additional procedures are required to account for and control them until they have been consumed.
- c. Appropriate records must be kept to facilitate effective administrative control (e.g. to permit determination of quantities and values of stocks on hand, analysis of usage patterns for specific items, and identification of costs directly attributable to maintenance and operation of the inventory).
- d. Care must be used to assure that the expense of record maintenance is kept at the minimum and is commensurate with the significance of the materials involved.
- e. When stocks are requested, a Stock Request and Issue Voucher (**Appendix 17 & 19**) should be prepared and signed by Requisitioned and Accountant who issued the stock and approved by the Departmental Director.
- f. Supplies Control List (**Appendix 16 & 18**) is kept to record all stock movements including issue of stocks. The Inventory Control Book details the following for each item.

Stock in (date of purchase, number of items purchased, PV number, stock received of issuer)

Stock out (date of distribution, number of items distributes, name of recipient, name of issuer)

10.2.5 Physical Counts

- a. Inventory records according to Inventory Control Book should be verified by a physical count, preferably on a cyclical basis, but at least annually. Stock adjustments to correct physical count discrepancies must be adequately documented and must have the signed approval of the DFPTT of MoEYS.
- b. Physical counts should be summarized and verified with inventory records by persons who are independent of the inventory custodians. Chief Accountants should participate directly in the planning, performance and review of physical counts to ensure independence in the determination of quantities, physical condition and values of inventories.

10.2.6 Roles and Responsibilities

Custody

- a. The custodian is responsible for the custody and safeguarding of stock of expendable supplies. These comprise mostly stationery and other office supplies kept in locked cupboard to which access is restricted to the accountant/Custodian
- b. The custodian is responsible for re-ordering of stocks via a Purchase Requisition (Appendix 12) completed in accordance with the purchasing procedures.

10.2.7 Reconciliation

- a. At the end of each quarter, the balance of each item in the Supplies Control Book (Appendix 17) is reconciled with the physical count of the item in stock, conducted by someone independent from the custody or recording of stocks.
- b. The end of the count, the result and the name of the person counting, are recorded in the Supplies Control Book (Appendix 17) on a quarterly basis by the Departmental Director of MoEYS. Any differences are investigated.

11. VEHICLE LOG PROCEDURES

The following rules must be followed in order to ensure that the vehicle management system is operating efficiently and effectively and to avoid vehicles being used for purposes other than those of the Programme activities.

- a. Every evening after working hours the drivers must take their vehicles into the MoEYS's campus or garages, except for any vehicle which is out on a mission.
- b. No vehicles may be taken out from the campus or garages of the MoEYS's at the end of the week (Saturday and Sunday), or on a public holiday unless it is required for formal use, it should be approved by the implementing Department's Chief or above authority.
- c. Every Friday evening or a day before any other public holiday drivers must handover the keys to the person in-charge of vehicle control for purposes of security overnight.
- d. In the case of failure to implement the discipline as stated above, drivers will be responsible for any problems which may occur and may be automatically dismissed.
- e. When a vehicle is being used for Project activities the odometer must be started and ended on a daily, weekly and monthly basis **Vehicle Log** (Annex F).
- f. In the case of unusual problems, reports must be verified by the Department of Finance and confirmed to the DGAF.

12. AUDIT PROTOCOLS

Definition

An audit is an integral part of sound financial and administrative management. There are two types of audits: internal and external (independent) audits. However, the internal audit is not covered by this financial management manual. An independent audit is an investigation of the accounting system, financial reports and the operations of an organisation conducted with the objective of expressing an opinion on the truth and fairness of the financial statements of the auditee.

Objectives

The objectives of an audit are to ensure that the project resources have been managed in accordance with:

- (a) The Donor agency financial regulations, rules, policies and procedures that apply to the project;
- (b) The project documents and the work plans, including activities, arrangements, expected results, monitoring, evaluation and reporting; and
- (c) The key considerations for management, in the areas of management, administration and finance.

Scope

Yearly external audit and should be finished with the one month of the end of fiscal year.

The audit of the project must:

- (a) Cover, but may not necessarily be limited in scope to, the following areas:
 - Rate of delivery;
 - Financial accounting, monitoring and reporting;
 - Management systems for recording, documenting and reporting on resource utilization;
 - Equipment use and management; and
 - Management structure, including the adequacy of internal controls and record-keeping mechanisms.
- (b) Confirm and certify that:
 - Disbursements are made in accordance with the activities, work plans and budgets of the project document;
 - Disbursements are supported by adequate documentation;
 - Financial reports are fairly and accurately presented and correctly represent the financial position;
 - Appropriate management structure, internal controls and record-keeping mechanisms are maintained;

- Monitoring and evaluation of activities and the progress towards expected results are undertaken as planned and according to the key considerations for Management;
- Procurement, use and disposal of equipment are in accordance with the key considerations for management, the procedures governing the project and Donor agency rules; and
- Satisfactory measures have been taken by the Executing Agency and Donor agency to comply with the recommendations of prior independent audits.

Audit Process

- (a) The audit must be conducted in conformity with the generally accepted auditing standards and in accordance with the professional judgment of the auditors. The generally accepted auditing standards here mean either Cambodian Standards on Auditing (CSA) and International Standards on Auditing (ISA). In the absence of certain relevant CSA, the audit must comply with relevant ISA. The audit must also comply with the Donor agency Terms of Reference for an independent audit (if any).
- (b) The MoEYS must:
- Identify and appoint the audit authority. The audit authority or the process, by which the audit authority will be identified, must be mentioned in the project documents.
 - Ensure that the audit is performed in accordance with Cambodian Standards on Auditing and International Standards on Auditing.
 - Ensure that the audit report is duly reviewed by the respective parties.
- (c) The Donor agency country office must organize briefings with the auditors before and upon completion of the audit.
- (d) For national execution, the legally recognized auditors of the Government normally conduct the audit.
- (e) The Department of Finance is responsible for meeting the costs of the audit. In exceptional cases, the financial provision for the audit is included in the project budget and where appropriate is budgeted under budget line 52.
- (f) The auditors must discuss in detail the findings in the draft audit report with the parties concerned (the MoEYS, including appropriate program and project staff, Government Coordinating Authorities, Donor agency and donor agencies)

Audit Deliverables

The independent auditor shall be required to provide two types of reports:

- A written opinion
This is an auditors' report which specifies the extent to which the financial statements and supporting information provide a true and fair view of the financial position and results of operations of the project.

- A management letter
This is in addition to the auditors' report that includes recommendations for improvements in the financial systems and controls for the improved use of resources. A draft management letter must be sent to the Director of Finance for comments and notification of their action plans.

An action plan for correcting any weaknesses found in the audit process should be prepared and submitted by the Director of Finance Department. All points brought forth by the auditors must be addressed in the action plan and a schedule is presented to correct any system weaknesses over a period of time.

The final management letter must include comments and action plans made by the relevant personnel.

Appointment of the Auditors

The following procedures will regulate the appointment of the independent auditors:

- (a) The Director of Finance Department will prepare the terms of reference for the independent auditors and advertise the audit tender;
- (b) A joint committee consisting of MoEYS representatives responsible for the implementation of the project, a Donor agency representative and a DFID representative will be responsible for reviewing and ranking the auditing firms' offers based on the following criteria:
 - The professional background of the audit firm and proposed auditors;
 - Audit methodology and work plan; and
 - The audit fees.
- (c) The joint committee will submit a bidding report to the Director of Finance department, including the name of the recommended auditing firm.
- (d) If satisfied with the joint committee's recommendation, the Director of Finance department will appoint the independent auditors. Otherwise s/he may request the joint committee to call for a second bidding.

Audit Follow-Up

- (a) Recommendations in the management letters received from the independent auditors following the audit engagement must be followed up with the involvement of the Director of Finance Department.
- (b) A report summarizing the details of the status of auditors' recommendations should be submitted to the Director of Finance Department prior to the next annual audit.

13. FINANCIAL REPORTING

In addition to the reports generated by the computerized accounting system, DFPTT shall prepare donor reports as follows:

- ✓ Report 1-Financial Report (FR) required by UNDP

The Combined Delivery Report (CDR) is prepared by UNDP and sent to MoEYS for certification.

Report 1 should be prepared by activity in the format provided and should be consolidated by summarizing the data in the same format (**Appendix 22**).

Report 1 is due within 15 days of end of each quarter, which must be submitted to UNDP before next period request. These reports are prepared by exporting the financial report from Peachtree System to Microsoft Excel.

The Month-end Procedure Checklist (**Appendix 24**) for monthly procedures should be approved by the related departmental director with all the month-end reconciliations.

On the completion of above month-end procedures, the final reports can be produced. These will be used as the basis for preparation of the monthly/quarterly financial reports for submission to DFID or the Ministry of Economy and Finance "MoEF" in DFID format, which will be set up as a spreadsheet in Excel as follows:

- Project Sources and Uses of Funds by Disbursement Budget Category
- Project Uses of Funds by Activity ID
- Output Monitoring Report

14. MONTH-END PROCEDURES

- A. At the end of each month, the following reports should be printed out from the computerized accounting system:
- Trial Balance
 - General Ledger (G/L)
 - Cash Receipt Journal
 - Cash Disbursement Journal
 - General Journal
 - Balance Sheet
 - Statements of Sources and Uses of Funds
- B. In order to ensure that the financial data for each month is complete and accurate, the general ledger accounts should be reconciled to the supporting accounting records as detailed below. Any differences arising should be investigated immediately and adjusting entries should be recorded.
- C. All month-end reports should be reviewed and signed by the Director of Finance and should be filed in the Month-End Reports file.

15. YEAR-END PROCEDURES

Accurate financial statements from year to year are a necessary part of good management. Year-end procedures go a long way towards ensuring that the financial are accurate and consistent with the previous year.

DFPTT is the collective name for the directors responsible for each department, related departments who have a defined area of management responsibility.

The cut-off at year-end is a term used to identify the division between old fiscal year and new fiscal year transactions. In other words, goods received before the cut-off date is recorded in the old year while goods received after the cut-off date is recorded in the New Year. The cut-off date may be December 31st or it may be a more convenient date close to December 31st.

A payable-at-year-end is a specific amount owing as at December 31st, normally based on a supplier invoice or statement, a contract or other document claiming for work performed, goods received or services rendered on or before December 31st.

Director of each Department and staff throughout DFPTT must make every effort to process all documentation and accounting transactions in a timely manner during year to reduce the extra workload at the end of the end of the year.

Before the year-end, the Finance Department should prepare a memorandum advising the Responsible Director of each Department in other departments of pertinent financial requirements for the year-end close.

To the extent possible, all supplier payments relating to the old year should be settled before the year-end cut-off to avoid the necessity of establishing payables-at-year-end.

Outstanding travel, petty cash and other advances should be settled prior to the year-end cut-off. Refer to Section - Advances. However, for any advance that is outstanding as at December 31st, the Finance Department must obtain a written confirmation acknowledging the continuing existence, amount and responsibility for each advance.

At year end, revenues and cash receipts must be recorded in the old year as follows:

- a. Revenues and receipts received in the old year but not deposited until the new year; and
- b. Refunds of expenditures related to the old fiscal year, which are received in the new fiscal year.
- c. The Finance Department must be diligent in watching for accruals, and in making the appropriate journal entries. For example, usually payroll, or a portion thereof, is accrued if the work of the employees has been completed in the old fiscal year but the payment is in the new fiscal year.
- d. Journal entries should be raised to correct/adjust/clear suspense and all other accounts. Normally, asset and liability accounts require the most attention, as The balances have to agree with the actual, verifiable amounts.
 - i. To respond immediately to the request described in the year-end memorandum from the Finance Department with respect to commitments, receiving documentation for goods and services and travel advances, etc.;

- ii. To assist with other year-end requests in a timely manner.
- iii. To prepare and circulate a year-end memorandum (see **Annex C**) to guide DFPTT management on year-end procedures.
- iv. To input settlement transactions relating to the old year without delay; and
- v. To process journal entries in a timely fashion.

16. List of Appendixes and Annexes

All Forms

- 1 Receipt Voucher (**Appendix 1**)
- 2 Disbursement Voucher (**Appendix 2**)
- 3 Petty Cash Payment Voucher (**Appendix 3**)
- 4 Petty Cash Book (**Appendix 4**)
- 5 Petty Cash Replenishment Request (**Appendix 5, 5.1**)
- 6 Cash count and Reconciliation Sheet (**Appendix 6**)
- 7 Bank Reconciliation (**Appendix 7**)
- 8 Cash Advance Request (**Appendix 8**)
- 9 Expense Report (**Appendix 9**)
- 10 Advance Control book and Reconciliation (**Appendix 10**)
- 11 Material Requirement List (**Appendix 11**)
- 12 Quotation Schedule (**Appendix 12**)
- 13 Purchase Order (**Appendix 13**)
- 14 Purchase Order Log (**Appendix 14**)
- 15 General Journal (**Appendix 15**)
- 16 Received and Accepting Reports (**Appendix 16**)
- 17 Supplies Control List (**Appendix 17**)
- 18 Goods Receipt Note (**Appendix 18**)
- 19 Supplies Control List (**Appendix 19**)
- 20 Goods out Note (**Appendix 20**)
- 21 Non-Expendable Property and Equipment Register (>1 year) (**Appendix 21**)
- 22 Financial Report (UNDP format) (**Appendix 22**)
- 23 Combined Delivery Report (UNDP format) (**Appendix 23**)
- 24 Month-end Procedure Checklist (**Appendix 24**)
- 25 Cash Book (**Appendix 25**)
- 26 Petty Cash Receipt Voucher (**Appendix 26**)
- 27 Liquidation (**Appendix 27**)
- 28 List of Send-Out the Quotation (**Appendix 28**)
- 29 List of Receiving the Quotation (**Appendix 29**)

All Annexes

- 1 Per Diem Rates (**Annex A**)
- 2 Annual Work Plan (AWP) (**Annex B**)
- 3 Annual and Quarterly Work Plan Format (**Annex B.1**)
- 3 Sample Year-End Memorandum (**Annex C**)
- 4 Service Request Form (**Annex D**)
- 5 Requests for Direct Payment (**Annex E**)

6 Vehicle Log Form (**Annex F**)

17. TABLE OF REVISION

DOCUMENT NAME:		FINANCIAL PROCEDURES FOR STRENGTHENING CAMBODIA'S RESPONSE TO HIV/AIDS PROGRAMME			
DOCUMENT VERSION:		VERSION 2			
DOCUMENT DATE:		2006			
REVISION HISTORY					
VERSION	DATE	AUTHOR	CHAPTER UPDATED	PART/SECTION UPDATED	RATIONAL
2	30-12-2005	DFPTT	5.2.1	Category A. HE. Koeu Nayleang HE. Chea Oeung Category B. Mr. Ly Sathik Mr. Yoeun Thach	As per MoEYS's requirement
-	-	-	6	Added: meeting.	As per MoEYS's requirement
-	-	-	6.1-viii	Added: Except the travelling and salary expense	
-	-	-	8.2.1-A.i	Added: DFPTT will provide a staff to joint.	As per MoEYS's requirement
-	-	-	Annex A	Added: - Chiarman - Speaker/Trainer - Back Drop - Location/room - Writer - Compiler, and reviewer - Drawer - Designer	
-	-	-	8.2.1-C	Added: General Policy	Recommen datoin from UNDP (Ms Ricarda Rieger) and endorsement by H.E. Director General of Administration and Finance
-	-	-	9	Added: Computerized Accounting System Management	As per MoEYS's requirement