



MITH SAMLANH

**Management Letter
for the year ended 31 December 2016**



KPMG Cambodia Ltd
4th Floor, Delano Center
No. 144, Street 169, Sangkat Veal Vong
Khan 7 Makara, Phnom Penh
Kingdom of Cambodia
+855 23 216 899 | kpmg.com.kh

Ms. Map Somaya (Ly Sophat)
Program Director
Mith Samlanh
#215, Street 13
Phnom Penh, Kingdom of Cambodia

Our ref: NH/TYF/CM/LSD/chet

Contact: Chhun Mara

10 April 2017

Dear Ms. Map Somaya (Ly Sophat),

Management Letter – Audit for the year ended 31 December 2016

We have audited in accordance with Cambodian International Standards on Auditing the financial statements of Mith Samlanh ("the Organisation") for the year ended 31 December 2016, and have issued our report thereon dated 10 April 2017. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Organisation's presentation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organisation's internal control.

The maintenance of adequate control designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the Organisation.



During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarised in the enclosed report.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Organisation gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

The Organisation's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Organisation's management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours sincerely,
KPMG Cambodia Ltd


Nge Huy
Partner





Contents

	Page
1. Consider change of ownership of land title deed	1
2. Comply with tax regulations	2
Status of the previous year's recommendations	3

1. Consider change of ownership of land title deed

Observation

We noted that the Organisation's land title deed is registered under name of the Programme Director, Ms. Mâp Somaya.

This issue was also raised following the previous year's audit.

Implication

Should any ownership disputes or third party claims arise in the future, it may be difficult to prove that the land is owned by the Organisation, which may cause serious difficulties.

Recommendation

The Organisation should seek legal advice to amend the land title deed of ownership from the Programme Director to the Organisation.

Management's response 2015

As Mith Samlanh has now repaid the whole mortgage for the land & buildings, the Board of Directors are considering the strategy plan for the land in 2016.

Management's response 2016

Mith Samlanh has inquired the Department of Land Management, Urban Planning and Construction of Khan Daun Penh located near Phsa Chas about the land title to be transferred from "Map Somaya" to the Name of the Organisation "Mith Samlanh". The Department has informed Mith Samlanh that is not possible to transfer the land in the name of the Organisation, as the organisation needs to be represented by an individual. The Department has advised Mith Samlanh to seek assistance from a lawyer to prepare a document that states that the land belongs to the organisation who is represented by Map Somaya. Mith Samlanh will process documents in 2017.

2. **Comply with tax regulations**

Observation

During our review of the indemnity costs calculation for the payment to the indemnified staff, we noted that two staff received the indemnity payment more than the allowed maximum 6 month-salary payment per Labour Law, Article 89 as follows:

Name	Indemnity payment US\$	Basic Salary US\$	6 month maximum ceiling per labour law US\$	Excess payment US\$
Chan Pheary	1,808	300	1,800	8
Chan Sovannara	1,807	247	1,482	325

Based on Chapter 2, Article 44 of the Law on Taxation states that indemnity for the layoff or termination of contract as stipulated by the provisions of the labour law shall not be included in the calculation basis of tax on salary and not subject to fringe benefit tax.

However, salary tax was not deducted and remitted to the General Department of Taxation ("GDT") for the over payment of indemnity as required by the labour law.

Implication

Failure to comply with local tax laws and regulations may result in the Organisation being held liable for taxes incurred on their payments and could result in the imposition of penalties up to 40% of the unpaid tax, together with interest accruing at the rate of 2% per month.

Recommendation

Management should thoroughly review all excessive indemnity cost payments are properly withhold and paid salary tax to the GDT.

Management's response

Agree, we will endeavour to not make such mistakes again.

Status of the previous year's recommendations

No.	Previous year's recommendations	Status
1	<p><i>Improving controls over non-expendable equipment</i></p> <p>All vehicles should be properly registered under the Organisation's name.</p>	The vehicle has been sold during the year.
2	<p><i>Considering change of ownership of land title deed</i></p> <p>The Organisation should seek legal advice to amend the land title deed of ownership from the Programme Director to the Organisation.</p>	Not implemented. Refer to management letter, item #1.