

# Minute of The 33<sup>rd</sup> Finance Learning Forum “How to Prepare for Auditing”

**11<sup>th</sup> October 2024, 8:00 AM – 17:00 PM**

Venue: Tonle Bassac2

Hybrid platform

Total participant is 122 people (97 female)



## I. Introduction

The Cooperation Committee for Cambodia (CCC) is the largest membership-based organization for civil society organizations in Cambodia, with 184 Foreign (FNGO) and Domestic non-governmental organizations (DNGO) as members, and around 300 local organizations as partners and beneficiaries. CCC is currently implementing Phase V of its Governance Hub Program (GHP 2024-2028), an initiative intended to foster inclusive partnerships to promote good governance, a strong enabling environment, and ensure the sustainability of civil society organizations (CSOs) in Cambodia.

In response to the need of the CSOs in Cambodia for increasing their capacity in preparing for the annual auditing, CCC will organize its 33<sup>rd</sup> Finance Learning Forum on the topic of *“How to prepare for Auditing”* which will be organized on 11<sup>th</sup> October 2024 with support from PCG and Donasco audit firm to host this learning forum.

## II. Objectives of the Learning Forum

### For the whole day, the participant will:

- To Understand the requirements documents from auditing
- To be ready before the audit period
- To understand more on how to response to the audit finding/challenging
- To gain more ideas on how to read the audit’s opinions

### Welcome Remarks

**Mr. Ou Saorn**, Head of Operations from CCC would be pleased to share warm welcome as below:

I would like to say thanks to all management team of our members who always allow their team to attend CCC’s learning forum platform. Through active participation from finance working group members, CCC has prepared many learning forums. This forum take lead to share many important topics such as E-filling for CSOs, Cambodian Financial Reporting Standard, Legal Compliance for Accounting and Auditing for Non-for-profit organization, Internal control, and compliance, Practical on reporting on Taxation & ACAR. Today, CCC provides its 33<sup>rd</sup> Finance Learning forum on the topic of *“How to prepare for Auditing”* which was facilitated by **Mr. Junro Binag**, Partner from Donasco shared on the requirement list from auditor side, Auditor findings/challenges based on the real practices so far with NGOs, including Key term and how to read the audit opinions. In the afternoon session, **Mr. Sim Chankiroth**, CEO of PCG, shared the Practical Daily Finance Tasks and compliances.

I would like to say thanks to all finance working group members who always share their expertise for facilitating and sharing best practice during CCC’s learning forum. Finally, I would like to thank all participants, guest speakers and all CCC’s members for participating in our learning forum today and I wish you all the best. Thank you.

### Sharing on the Requirements for Audit by Mr. Junro Binag:

#### Type of Audit Files

##### 1. Permanent Files

- ✓ Articles of association and bylaws
- ✓ MoU with relevant ministries
- ✓ Organizational charts

- ✓ Donor contracts and agreements
- ✓ Prior year audit reports
- ✓ Internal control documentation

### Legal Registration Documents:

- Registration with the government (all MOUs- MOI, MOFAIC, MoEYS, MOH, MoSVY and with other relevant ministries)-updated
- Registration with the General Department of Taxation (GDT) (Including Tax Registration Certificate and Card and Patent Certificate for Organization and approved tax exemption letter for grants)-updated
- Registration with the Accounting and Auditing Regulator (ACAR)

Registration with the Ministry of Labour and Vocational Training (MoLVT) and National Social Security Fund (NSSF).

### Organization Documents:

- Organisational Chart- updated
- By-Law and Approved Strategic Plan (next 3 to 5 years ) of the Organization
- Minutes of Board Meeting
- List of the Board Directors and their designation and Management Team-updated
- Updated Job Description of Finance Staff, Employment contract and sample of the volunteer's contract, if any

## 2. Current Files

- ✓ Financial Statements for the current year
- ✓ Working papers and calculations
- ✓ Bank reconciliations
- ✓ Trial balances
- ✓ Lead schedules and supporting documentation

### Common Challenges faced by NGO in Cambodia- Auditor's perspective

**Board Oversight-** Some members of the Board of Directors are not actively fulfilling their intended roles, and the Board Treasurer has not performed financial oversight independent of management

**Regulatory compliance-** Different accounting standards for statutory audit/unaudited financial reporting (*CFRS for NFPEs-cash basis or CIFRS for SMES-accrual basis*) and Donor Audit (*Accounting policies of the Organization and donor financial provisions*)

**Funding Constraints-** some organizations struggle with insufficient core funding to adequately cover indirect costs.

**Human Resources-** some organizations have understaffed finance, admin and HR departments, primarily due to funding limitations.

**Monitoring-** some organization do not have financial monitoring checklist for close oversight of management, government, and donor reporting.

**Sustainability-** Most NGOs in Cambodia lack sustainability plans to address potential cessation of donor support.

Financial Reporting/Deadlines: Some NGOs face strict donor deadlines, but their financial books may not yet be finalized.

### **Common Findings in NGO Audits:**

- Some organizations do not have established finance policies and procedures
- Some organizations do not have updated financial policies and procedures in place.
- Some organizations do not have an established policy for anti-money laundering (AML) and countering the financing of terrorism (CFT), including procedures for screening suppliers against EU Sanctions.
- Instances of fraud and/or misappropriation have been identified in our audit, primarily involving the falsification of receipts and distribution lists.
- Tax on fringe benefits for cash allowances (medical, COLA, transportation, and communication) provided to staff—no request for tax exemption has been submitted to the GDT.
- No proper breakdown of material and labor costs for car repairs and office renovations has resulted in overpayment of withholding tax on services.
- Some organizations lack an established IT policy and proper safekeeping of offsite backups.
- Some organizations do not have an established whistleblower policy
- Lack of Preparation of monthly or quarterly financial reports
- Some organizations' finance staff lack training in accounting and taxation
- Preparation of annual financial report with budget comparison- common for small Ngos

**Mr. Sim Chankiroth**, CEO of PCG, shared the Practical Daily Finance Tasks and compliances.

## Accounting for Incoming Resources

### 1. Revenue from Grant & Donations

- Grant Income
  - Earned Incomes, Membership, and other incomes
  - Cash Donations
  - Interest Income
  - Non-cash contribution/ Right of Use
  - Swap Exchange Transactions,
- What are the overarching principles for the recognition and measurement of incoming resources from 'non-exchange' transactions?
  - Timing of income recognition and definition of performance criteria/ obligation. What is the recognition and measurement process when receiving donations that are used to fulfil requirements in subsequent periods?
  - When should donations to purchase a capital asset be recognised? What if the donation is repayable if the asset, at some future date, is no longer used for its intended purpose?
  - When should services in-kind be recognised and if so, how are they measured? What disclosures should be provided?
  - When should gifts in-kind be recognised and how should they be measured, including low value items such as inventory (second-hand for sale and new for distribution as part of charitable activities)?
  - How should assets that can only be used for a specific purpose and may have to be returned be measured initially and subsequently?
  - Recognition and measurement of 'right of use' donations (including free use of space and equipment)?

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## Accounting for Outgoing Resources

### 2. Expenses & Liabilities

	Type of item	Expenses Amount	Asset	Liabilities	Recognition Point
1	Program Activities Costs				
2	Purchase of property, equipment, office supplies, inventory, and other fixed assets				
3	Depreciation of properties, plants and equipment				
4	Non-cash expenses (rental expenses from building owned by the organization, volunteered services)				
5	Accrual Expenses				
6	Prepayment & Deposit				
7	Salary and Benefits				
8	Provision and Committed Expenditures: Expenditure that will occur after the reporting period				
9	Accrual Expenses				

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## Accounting for Outgoing Resources

### 3. Cost Sharing

	Type of item	Shared Cost	Basis of allocation	Method of allocation
1	Program Activities Costs			
2	Purchase of property, equipment, office supplies, inventory, and other fixed assets			
3	Depreciation of properties, plants and equipment			
4	Non-cash expenses (rental expenses from building owned by the organization, volunteered services)			
5	Accrual Expenses			
6	Prepayment & Deposit			
7	Salary and Benefits			
8	Provision and Committed Expenditures: Expenditure that will occur after the reporting period			
9	Accrual Expenses			

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## Presentation, Scope, and Contents of Financial Statement

### 4. Fundraising Costs

- How should the costs of fund raising be defined (for example, whether to include business development spend and/or overheads)?
- How should the costs of fundraising be recognised and/or presented (ie on a gross basis or netted against income)?

Donations, gifts, grants and similar transfers

- Seeking grants eg application costs
- Operating membership schemes
- Staging events
- Advertising, marketing and direct mail materials

Commercial and trading

- Operating a trading outlet to sell donated and/or bought-in goods
- Operating a trading company carrying out other commercial or trading activities

Investment management

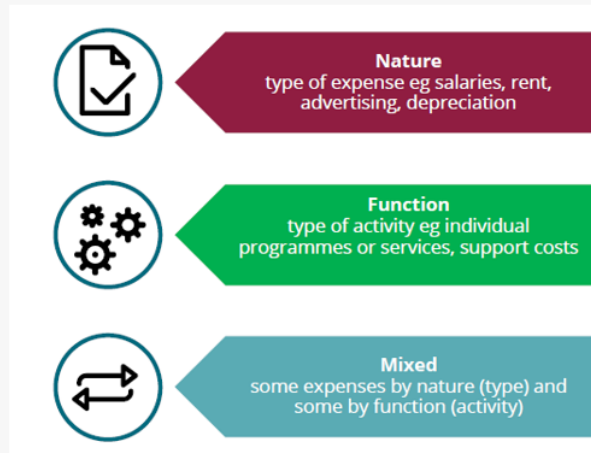
- Portfolio management
- Obtaining investment advice
- Licensing intellectual property
- Management of properties held for investment

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## Presentation, Scope, and Contents of Financial Statement

### 5. Classification of Expenses: Functions, nature or Both

- Comparability
- Regulatory requirements
- Donors' requirements
- Management Decisions



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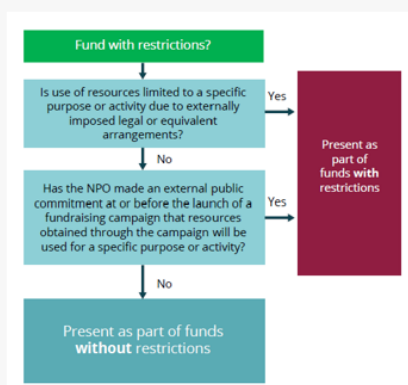
## Presentation, Scope, and Contents of Financial Statement

### 6. Accounting Basis: Modified Cash Basis

What should be the common list of modifications

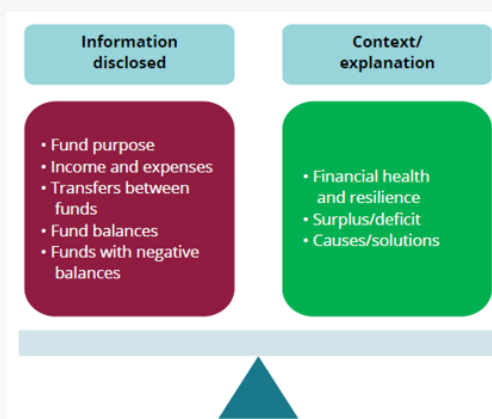
## Presentation, Scope, and Contents of Financial Statement

### 7. Fund Accounting



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### Fund Accounting Disclosure



## Best practices in preparing Institutional Audit:

### Challenges/ Issues in Preparing institutional Financial Statements

Nonprofit Financial Management Capability

Challenges/ Issues in Preparing institutional Financial Statements

<b>Group 1:</b> Accounting for Incoming Resources	<b>Group 2:</b> Expenses & Liabilities, Fundraising Costs	<b>Group 3:</b> Share Costs	<b>Group 4:</b> Classification of Expenses	<b>Group 5:</b> Accounting Basis: Modified Cash Basis & Fund Accounting
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**Best practices in preparing Institutional Audit**

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AUDIT PREPARATION for CCC 10 October 2



CCC - Finance Learning Forum.pptx (

#### Appendix:

### VI. Detailed Agenda

Time	Key Content	Responsible By:
8:00 AM- 8:30AM	Registration	CCC
8:30AM- 8:40AM	Welcome remarks	CCC
8:40AM-10:00AM	- Share on the requirement list from auditor side	<b>Donasco</b>
10:00AM-10:15AM	Tea Break	All
10:15AM-12:00PM	- Auditor findings/challenges based on the real practices so far with NGOs. - Key term and how to read the audit opinions	<b>Donasco</b>
12:00PM- 1:30PM	Lunch Together	All

Time	Key Content	Responsible By:
1:30PM- 3:00PM	<p><b>Sharing on: <i>Practical Daily Finance Tasks and compliances</i></b></p> <ul style="list-style-type: none"> <li>- Please list down all key finance tasks and how you verify it correctly/comply with relevant regulation rule/policy?</li> <li>- What are the key tasks that finance should do/preparation before audit field work?</li> <li>- How does finance respond to audit requirement list?</li> </ul>	PCG
3:00PM- 3:15PM	<b>Tea Break</b>	All
3:15PM- 4:30PM	<p><b>Continue sharing on:</b></p> <ul style="list-style-type: none"> <li>- How does finance respond to the audit finding or audit challenges?</li> <li>- How to read/understand the audit report and opinions?</li> </ul> <p>(Group discussion) Question &amp; Answer</p>	PCG
4:30PM-4:40PM	<b>Closing remarks</b>	<b>Finance Working group member</b>

**Note:** CCC will use the event photos from the learning forum for posting in CCC's website and other official use. CCC reserves the right to change the agenda based on the availability of the speakers and time constraints.