



Minute of 1st Finance Learning Forum



23rd April, 2015
DIAKONIA Center (ICF/KSSA Building), Phnom Penh

I. INTRODUCTION:

As the longest established membership organization in Cambodia, the Cooperation Committee for Cambodia (CCC) has played a unique role since 1990 in strengthening the cooperation, professionalism, accountability, governance, and development effectiveness of the Civil Society Organizations (CSOs) that are working across diverse sectors in Cambodia.

CCC delivers its mission and mandate through a five-year program entitled “**Governance Hub Program (GHP)**” for 2011 – 2015, aiming at building a more cohesive, accountable, transparent NGO sector, contributing more effectively to the development of Cambodia. GHP focuses on three interconnected components: 1) Voluntary Certification Standards of Good Practice; 2) Capacity Development and Learning; and 3) Knowledge management, Advisory, Referral and Linkages.

Responding to its vision which is for a strong and capable civil society, cooperative and responsive to Cambodia’s development challenges, CCC offers a range of capacity development and learning opportunities for NGO staff to influence their thinking and practices and to deliver high quality services appropriately respond to the true needs of those CSO.

One of many activities of the component 2 is to conduct various learning forums for CCC members such as Human Resource Management (HRM), Monitoring and Evaluation (M & E), Information Communication Technology (ICT) and Finance Management forum.

The Finance Learning Forum has established since 2009 and CCC has formed a dynamic working group and technical support from finance professionals and practitioners of CCC members. The overall objectives of finance learning forum is to 1) *stimulate action learning to transform knowledge; skills and experiences of individual people and organizations into a community of practices for a betterment of NGO community in Cambodia in the field of finance and 2) build a strong network among finance practitioners and professionals for ongoing learning on finance matters and issues related.*

To continuously respond to the needs of the NGO community for good practice within the NGOs, in 2015 CCC will host two full day Finance learning forums for member and nonmember organizations; in which the first forum will be conducted on **23 April 2015** and the second will be on 14 July 2015. The objectives, expected outcome, and agenda for the 1st Finance learning forum are as below:

This is the minute of the first Finance learning forum which was held on 23 April 2015 at DIAKONIA Center (ICF/KSSA Building) in Phnom Penh. The forum was attended by 109 participants (74 are Females) from 65 NGOs who are finance practitioners of CCC member and non-member organizations. The objectives and expected outcomes of the forum are as below:

Objectives of the Forum

- To share and discuss on the auditor roles, responsibilities and benefits of internal audit and different audit functions.
- To explain the necessary knowledge and real experiences related to internal audits of participant’s organization.
- To build up more networks and relationships among finance practitioners.

Expected outputs:

- Participants will have better understood about key contents of audit and its benefits for sound financial management.
- Participants will have better understood about the process of internal audit activities.
- Participants will have enhanced network of finance practitioners and professionals.

II. SUMMARY OUTPUTS OF THE FORUM:

The 1st Finance Learning Forum was presided by Mr. Khorn Bunthong, Head of Operation, CCC. He learnt that most of NGO are not yet have independence internal audit (IA) department and this is the weak point that should be improved. And this is the best opportunity for you all to learn more about IA. Today, the guest speakers are very knowledgeable and professional competence in both internal and external audit so he strongly hope all participants will absorb this knowledge and apply it to improve their organization and he announced to start the finance learning forum

Furthermore, Mr. Bunthong updated about the LANGO which is a very big challenge for NGO community. He strongly encouraged all NGOs in Cambodia working together to give support to demand royal government to reveal the draft law and to consult with NGOs before officially finalizing and issuing.

SESSION 1: Review learning points from previous finance learning forum

This session was facilitated by Mr. Try Sokha, Finance Specialist, CCC. He reviewed some points that the participants have learnt in the previous finance learning forum. In the 2nd Finance Learning Forum in year 2014 mainly covered on:

1. System (Internal Control Tools); which the facilitator shared about some tools used for internal control such as policies/procedure, accounting software, budget, and work plan, Key Player for Internal Control, tip to verify supporting documents and kinds of reporting.
2. Segregation of Duties and Responsibilities, Level of Authority - focused on its definition and objectives along with the levels of authority.
3. Internal Audit Roles - focused on the overview of internal audit and the different functions between internal and external audit.

SESSION 2: "IA & Challenges at the Workplace"

This session was facilitated by **Mr. Ronald A. Donasco**, FAIA, CPA, Managing Partner, FDC. His session was covered on identification the challenges faced by finance practitioner.

He, first, tried to learn more about the background of the participants and set up some ground rules for the forum.

He highly encouraged participant to think about their challenges faced at their workplace. The challenges will be written down on flip chart and be presented by a representative of each group. The results of each group will be stick on the wall so that at the break time all participants can see.

For further details, please see attached slide presentation on CCC web.

SESSION 3: "IA and the Organization"

This session was facilitated by Ms. Finn Payne, CPA, Financial Consultant. Beside showing her slide presentation which was covered on the definition of Internal audit (IA), IA's independence, IA's mandate and Guidance, IA and the organization and organization's objectives, she further added some points as below.

Before giving her definition of IA, a participant was encouraged to share that internal audit is like a safe guard for our grand provided.

IA: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations." *Source: The Institute of Internal Audit (the IIA).*
It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Auditor has to be independence. She further showed about the structure of organization which stress about the audit committee (AC). CAE means Chief Audit Executive. IA is also administrative reports to CEO.

Who is guiding the internal auditor?

To conduct of its work, IA is required to conform to the mandatory requirements of Intl Professional Practice Framework issued by The IIA.

Audit charter is a formal written document that defines the *purpose, authority, and responsibility* of the Internal Audit.

IIA Code of Ethics – Principles:

- Integrity – it establishes trust and thus provides the basis for reliance on their judgment.
- Objectivity – Auditor must be objective, although we are friend, we have to be objective and ensure for balance assessment.
- Competency – Internal auditors apply the knowledge, skills, and experience needed. Have to keep learning (read and attend the workshop) things.
- Confidentiality – be confident which will not share any information to others although close friend or family member.

The 3 rules of auditors:

- Shall not have relationship or participate
- Shall not accept any gift
- Shall disclose all material facts so the report won't be distorted.

In the IIA definition, it helps auditor to understand about the organization objective and mission, vision, core values, goals & objectives, plans and budgets.

Organization's objectives:

- Reliable financial report which are accountable to the stakeholders (donor, partner.....etc)
- Efficient and effective operation.
- Compliance with applicable laws and regulations.

For further details, please see attached slide presentation on CCC web.

SESSION 4: "IA & Internal Control"

This session was facilitated by **Mr. Ronald A. Donasco**. His session was mainly covered on the definition and framework of IC, components of IC and its principle for effectiveness, and the IC weakness of NGO.

I. Definition and framework of IC:

IC is very important and plays a key role in its proper implementation and that will help in the achievement of the organization's goals and objectives. This session you will understand what IC is and where it is in your work.

Beyond his points he added that COSO is an internal control framework which organized in 1985, sponsored by 5 major professional associations headquartered in the US.

Some participants shared: IC is about finance policy/procedures. It's a process to control the transaction make sure that it follows our policy. It ensures for the compliance with the donor requirement. It's a system to strengthen your organization's work and it should be implemented by own staff & supervisor to avoid mistake.

In addition, the speaker mentioned that IC is a process designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance and he linked that reasonable assurance involves two considerations:

1. The cost of the entity's internal control should not exceed the expected benefits.
2. Limitations exist in any entity's internal control.

II. Components of IC and its principle for effectiveness (CRiCIM)

- A. The control environment
- B. Risk assessment
- C. Control activities
- D. Information and communication
- E. Monitoring

A. What is the control environment?

It is concerned with the actions, policies, and procedures that reflect the overall attitude of the client's top management, directors, and owners of an entity about internal control and its importance.

It's refers to the existing policies and nature of management.

1. Integrity and ethical values: Management should promote this in term of internal control. This should start from the management.
 - Management actions to remove incentives that prompt a person to behave improperly.
 - Communication of behavioral standards by codes of conduct and example.
2. Commitment to competence: Should not compromise the competence. We should have proper competence staff to implement work. If the management promotes commitment to competence then they will have good internal control.
3. Board of Directors and auditor committee. Board delegates responsibility for internal control to management and is charged with regular independent assessments of management established internal control.

Q: BoD, normally have 5 members which has different skill, it's difficult to recruit, and how many BoD members will be required for Audit committee? And why is it required?

A: He referred that it will be answered in Ms. Payne's presentation; however, it's very important poin that should be considered.

4. Management's philosophy and operating style. Management is the main actor who provides clear signals to employees about the importance of IC.
5. Organizational structure. On behalf of auditor, you should aware and understand of client's organizational structure like how its business functions.

6. Assignment of authority and responsibility. Formal methods of communication including top management memoranda concerning internal control, organizational operating plans, and employee job descriptions.
7. Human resource policies and practices. Not all staff is always honest, if so we don't need IC.

B. Risk Assessment:

Risk, if something happen, we will do an evaluation. The management will analyze the risk. You have to think of the possibility risk that might happen within your program/project activities. Think how to control the risk and take action on that risk.

Strategic risk, financial risk, operational risketc. This will be detailed in the Risk management topic that might take one day to learn more. The impact of risk can be negative or positive. Analyze the risk to minimize errors and fraud. There are client management's risk and auditor risk management.

There are 3 steps involved to assess client management's risk such as:

1. Identify factors that may increase risk
2. Determine significance of risk and likelihood of occurrence
3. Develop specific actions to reduce risk to an acceptable level.

As well as the auditor risk management includes 3 steps such as:

1. Determining how management identifies risks relevant to financial reporting
2. Evaluating their significance and likelihood of occurrence
3. Deciding the actions needed to address the risks.

C. Control Activities:

Policies and procedures that client management has established to meet its objectives for financial reporting. There are 5 main activities of IC as below:

1. Adequate segregation of duties: clearly separate the functions authorization, recordkeeping, and custody.
2. Proper authorization of transactions and activities: should clearly state in the policy for general authorization of the routine activities.
3. Adequate document and records: not proper supporting documents
4. Physical control over assets and records.
5. Independent checks on performance. The doer, rarely see their own mistake, so they must need someone else to check their work. It's part of IC too.

Types of control activities:

- Directive: Set up of Policies and Procedures
- Preventive: Segregation of Duties, Training of Policies, Authorization
- Detective: Review and checks, cash counts, reconciliations, review of budget vs actual
- Corrective: Corrections through Journal Entries, changes on IT after change or roles
- Recovery: Backup and recovery of files
- Automated: Security access and password requirement

D. Information and Communication:

It refers to any kind of methods used to, Ex: record the transaction, facilitate and make financial process more easier to control/manage. It's also a system of recording, documentation and reporting as internal control.

E. Monitoring: Client management's ongoing and periodic assessment of the quality of internal control performance to determine whether controls are operating as intended and modified when needed. Monitoring activities can be internal and external audit.

III. The IC weakness of NGO

He suggested participants working in group and thinking about some points that they acknowledged as the weakness of internal control of NGO in Cambodia.

He further presented his finding on the most Common IC weakness observed with NGOs like lack of knowledge, no cash in-hand (they bring money back home), most of the approval are not done, no financial report (the consolidated one), director not checks carefully whether under spending or over spending. Less communicate the financial report.

For further details, please see attached slide presentation on CCC web.

SESSION 5: "IA & its activities"

This session was facilitated by Ms. Finn Payne, CPA, Financial Consultant. Beside showing her slide presentation which was covered on

What does IA do? The role of IA is keep reviewing the effectiveness of risk management, control, and governance processes; moreover, it provides recommendations for improvements.

Risk management (IIA): Is a process to identify, assess, manage, and control potential events or situations.

Control (IIA): Any action to manage risk. Ensure every activity is compliance with the policies and regulation.

Governance (IIA): The combination of processes and structures implemented by board to Inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.

Type of Treatment: What if the risk is high, what should you do?

1. Tolerate - accept
2. Treat - reduce Mitigate
3. Transfer - share

Types of Assurance Service:

1. Assurance auditing that IA provides information as well as effort, control and other activities of risk management.
2. Financial audit is to ensure for accuracy of financial statement.

Types of Value-adding service:

1. Operational audit: reviews of the functions and effectiveness of an organization's operation activity.
2. Control self-assessment: assess the involvement of employee in the business activities.

Types of consulting service:

1. Consultative auditing: Some methodologies for solving the problem will be provided to client.
2. Compliance audit: To ensure for other policies and regulations will be followed.

3. Program audit: Make sure that all program activities are responded to the program's objective.
4. IT audit: Review of general and application controls to ensure automated transactions are processed with CAATS (complete, accurate, authorized, timely, & safeguarded).
5. Fraud audit: Special audit performed by trained auditors in addressing the majority risk, whose mindset should be investigative and anomaly oriented.

The speaker further asked what is accounting?. It's the process of recording, classifying, summarizing, and reporting of the business activity transactions.

IA and Fraud: IA Standards

1210.A2 - "Internal auditors *must* have sufficient knowledge to evaluate the *risk of fraud* and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud".

The speaker added that there are three phases of an internal audit (Preliminary Survey, Fieldwork and Reporting (draft audit report)). Moreover, there are also three audit processes - continuation:

1. Post-audit survey
2. Audit follow-up
3. Annual audit report

The core works of IA are as follow:

1. Review and identify applicable criteria
2. We compare the gaps between criteria & current condition.
3. Analytical procedures
4. Walk through / Re-performance
5. Transactional analysis
6. Confirmation/Verification
7. Questioning
8. Investigation / Inquiring
9. Match and / or compare records
10. Audit sampling
11. Observation
12. Monitoring techniques

After audit finding, some opinions can be given by the IA as bellow:

1. Limited Risks => 80%
2. Acceptable Risks 71% - 79%
3. Significant Risks 66% - 70%
4. Unacceptable Risks =< 65%

Q: If we already have Annual Global Audit, should we have internal audit? What if IA and EA conflict? which want should we follow? Ex: filling voucher

A: It depends; you have budget for hire internal audit and other resources. But have internal audit can minimize error when you conduct external. Filling, it depends on the context / nature of your organization's project/program and just makes sure that your filling system is not messy / missing.

She further shared about the most potential fraud happened on the market receipt. How do we address fraud?

- Develop fraud policy
- Provide training or orientation to the staff of this policy
- Conduct fraud awareness training
- Strengthen internal controls
- Hire competent & honest employee.

At the end, Mr. Try Sokha consolidated the challenges and weakness raised by participant and the result had shared to the big group by Mr. Ronald with adding some useful advices for consideration and make improvement.

Q: Who are the IA committee?

A: That person should very knowledgeable in finance management.

Q: How to suggest supervisor to follow policy? What is the recommendation to improve the organization if it hired non skill finance manager?

A: If you have a code of conduct, you can refer him to that because your role, as Finance, ensure for everything have to comply with the policy. You better talk to the BoD, who is a treasurer.

If we find finance staff/manager not qualify enough, we better propose to send them to join training rather than stop them since there is no policy to terminate staff.

For further details result, please see attached documents and slide presentation on CCC web.

Table discussion to define topic for the next Finance Learning Forum

Table discussion was facilitated by Mr. Lim Sokly, Learning Specialist from CCC. He asked each participant to define from two to three topics that they wish to happen for the next finance learning forum. Below are the topics raised by participants in the second finance learning forum of year 2015.

Most of participants suggested having the next forum on the key topics such as risk management, fraud detection and finding, external audit and Financial reporting (How to develop a common reporting format which can be accepted by all donors).

Furthermore, the above proposed topics will be brought to discuss in the next finance working group meeting to refine and/or to design to be the agenda in the next learning forum.

For further detail result, please see attached documents on CCC website.

Conclusion and closing remarks

Conclusion and closing remarks was made by Mr. Soeung Typo, Component II Manager from CCC.

He began by giving great thanks to all guest speakers Mr. Ronald and his peer, Ms. Pane, for spending their value time to share knowledge and experience to the audience, also working group members for their actively join the meeting to identify topic for today learning forum. He strongly hopes that all working group members will continuously support more. In addition, he thanked CCC team for organizing this event and the participant for their full participation to share experience with each other.

He hoped these today learning topics will response to participant need to make change and improve their organization as a whole. CCC commits to work harder to make the proposed topics they wished today be happened in the next coming learning forum

III. CONCLUSION:

The first Finance Learning Forum was conducted successfully with active participation by all participants and professionally supported by honored guest speakers and finance working group members; furthermore, fruitfully produced great outputs as expectation. Within this forum, the important topics, Internal Audit (IA) and Internal Control (IC), were presented to and practiced with the participants. To measure their understanding, and their commitment to make change in own organization and to seek for constructive feedback, all of the participants were asked to completed the evaluation form at the end of the forum.

Regarding the consolidated result of evaluation form completed by the participants, most of them valued as good on the process, venue, logistics providing and organizer, and 69% said the duration of the forum is medium.

26% of participant understood clearly about the Components of IC (CRiCIM) while 24% of them fast grasped on the Internal Audit (IA) and its process follow by the 20% that emphasized about Internal Control (IC) and its process. The 29% of participants also committed to bring back knowledge such Components of IC (CRiCIM) and Internal Control (IC) and its process and 19% about Internal Control (IC) and its process which gained from this forum to apply and share in their organization. Yet they suggested having longer time for group discussion and slide presentation in advance in the next forum as it was an impressive event.

In summary, this learning forum provided a great opportunity for finance practitioners to build stronger network and share experiences and challenges of their daily operation. We, CCC, as an organizer are very proud of this fruitful result. Moreover, we commit to put more effort to improve and extend such good forum to serve as a pool of building more capacity together.

Annexes:

- Agenda of the forum
- Evaluation of the forum

ការវាយតម្លៃវេទិការៀនសូត្រ
Learning Forum Evaluation

Finance Learning Forum

ថ្ងៃទី ២១ ខែមេសា ឆ្នាំ ២០១៥

1. តើអ្នកយល់យ៉ាងដូចម្តេចចំពោះចំណុចខាងក្រោម? សូម ✓

	មិនល្អ	មធ្យម	ល្អ	ល្អណាស់
ដំណើរការ/ Process	0%	11%	87%	2%
ទីកន្លែង /Venue	0%	2%	87%	11%
ការផ្តល់ជូនផ្នែកភស្តុភារ /Logistics providing	0%	31%	62%	7%
អ្នករៀបចំ /Organizer	0%	13%	83%	4%
រយៈពេល / Duration	23%ខ្លីពេក	69%មធ្យម	8%វែង	<input type="checkbox"/> វែងពេក

2. តើចំណុចណាខ្លះដែលអ្នកបានរៀនហើយយល់ច្បាស់?

What point do you clearly understand?

	# of answer	Percentage
Internal Audit (IA) and its process	21	24%
Internal Control (IC) and its process	17	20%
Ethic principles of IA	1	1%
Process and definition of accounting	2	2%
IA Roles	6	7%
Components of IC (CRICIM)	23	26%
Characteristics of Auditor	1	1%
Challenges and Weakness of IC	4	5%
The documents needed during audit	1	1%
Fraud addressing	7	8%
N/A	4	5%
Total	87	100%

3. តើចំណុចអ្វីខ្លះដែលអ្នកនឹងយកទៅអនុវត្តក្នុងអង្គការរបស់អ្នក? (សូមបង្ហាញចំណុចជាក់លាក់)

What are you going to do in your organization from this training? (Please give specific point)

	# of answer	Percentage
Internal Audit (IA) and its process	15	19%
Internal Control (IC) and its process	23	29%
Fraud addressing and reducing	8	10%
Components of IC (CRiCIM)	23	29%
Set up policies and procedures	3	4%
Develop financial manual & review staff job description & Orientation or share the information to co-worker colleagues.	1	1%
Audit sampling techniques	1	1%
Self assessment in my accounting work	1	1%
Setting the audit plan	1	1%
All sessions	1	1%
N/A	1	1%
Total	78	100%

4. តើចំណុចណាខ្លះដែលគិតថាវត្តមានបណ្តាលនេះគួរធ្វើការកែលំអ?

What aspects of this training do you think need to be improved?

	# of answer	Percentage
Should provide materials in advance.	11	16%
Next forum should focus on Risk management, not clear about audit's response, detect fraud	3	4%
Internal Control (IC)	1	1%
Presentation should be in Khmer (or should have more time for translator)	8	11%
Should have longer time for group discussion (Presentation time should be shorter)	14	20%
Should give realistics example since some points are really complicated.	9	13%
One training day should have only one topic to ensure clear understanding	4	6%
Too much reading the slide, should explain more	2	3%
Should have more participation	1	1%
Should have energizer game to release stress.	1	1%
N/A	16	23%
Total	70	100%

5. យោបល់ផ្សេងៗ /Any other comments?

	# of answer	Percentage
I still not clear who will approve if the director spend less than the amount that BoD approval .	1	2%
Please CCC provide training more to members.	5	9%
Topic providing should match with the time available.	1	2%
I would love to see the specific course with provide real example.	1	2%
Should summerize the consequence in auditing points.	1	2%
Everything is good	2	4%
Good logistics arrangement	1	2%
Should organize finance forum for management team (non finance)	1	2%
Please provide a coffee inside the room	1	2%
N/A	41	75%
Total	55	100%

សូមផ្តល់មតិគ្រឡប់ចំពោះអ្នកសម្របសម្រួលដូចខាងក្រោម: សូម ✓

ប្រធានបទ :/Topic:

សូមផ្តល់មតិគ្រឡប់សំរាប់គាត់ទៅលើចំណុចដូចខាងក្រោម/ Please give feedback on below points:

ខ្លឹមសារនៃការពន្យល់/Explanation	<input type="checkbox"/> នូវមានកំរិត	20%មធ្យម	78%ល្អ	2%ល្អណាស់
ការចែករំលែកបទពិសោធន៍/Share experience	<input type="checkbox"/> នូវមានកំរិត	36%មធ្យម	62%ល្អ	2%ល្អណាស់

សូមផ្តល់មតិគ្រឡប់ចំពោះអ្នកសម្របសម្រួលដូចខាងក្រោម: សូម ✓

ប្រធានបទ :/Topic:

សូមផ្តល់មតិគ្រឡប់សំរាប់គាត់ទៅលើចំណុចដូចខាងក្រោម/ Please give feedback on below points:

ខ្លឹមសារនៃការពន្យល់/Explanation	<input type="checkbox"/> នូវមានកំរិត	33%មធ្យម	64%ល្អ	2%ល្អណាស់
ការចែករំលែកបទពិសោធន៍/Share experience	<input type="checkbox"/> នូវមានកំរិត	36%មធ្យម	62%ល្អ	2%ល្អណាស់

សូមអរគុណ!