

Term of Reference for TI Cambodia's Internal Audit Function

1 Background

Transparency International is the global civil society organization leading the fight against corruption. It brings people together in a powerful worldwide coalition to end the devastating impact of corruption on men, women, and children around the world. TI's mission is to create change towards a world free of corruption.

Transparency International Cambodia (TI Cambodia) was founded in July 5, 2010 and has officially registered with the Royal Government of Cambodia in July 2011. It is a chapter in formation of Transparency International. The mission of TI Cambodia is to work together with individuals and institutions at all levels to promote integrity and reduce corruption in Cambodia.

Transparency International Cambodia's strategic activities are in line with the United Nations Convention against Corruption (UNCAC)'s core chapters on preventive measures, law enforcement, international cooperation and implementing mechanism to promote and strengthen measures to prevent and combat corruption and to promote integrity and social accountability.

TI Cambodia's strategic activities are also complementary to the efforts and commitments being made by the Anti-Corruption Unit (ACU) of the government of Cambodia set forth in the Anti-Corruption Strategic Foundation which requires a three-headed arrow to promote and fight corruption in Cambodia namely (1) public education, (2) prevention, and (3) enforcement of anti-corruption law.

2 Definition

According to the Institute of Internal Auditors (IIA),

"Internal Auditing (AI) is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

3 Purpose

The internal audit activity evaluates and contributes to the improvement of governance, risk management, and control processes using a systematic and disciplined approach. Its various aims are the following:

- Promoting appropriate ethics and values within the organization, especially on financial integrity;
- Ensuring effective organizational performance management and financial accountability;
- Communicating risk and information to appropriate management body within the


organization in order to mitigate financial risk, and

- Ensuring learning process within organization occurred to improve organizational function

Internal audits differ from TI Cambodia's external audits: while the sole purpose of the external audit review of the operations is to assess the fair presentation of the financial statement, the internal audit will aim at improving the effectiveness of TI Cambodia's operations in general.

4 Scope of Work

The internal audit activity will target TI Cambodia and its partners. It encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management process, system of internal control, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. It includes:

- Audit the 3-month financial statement with supporting documents. Special attentions are focused on the below points:
 - All funds received have been used, accounted for and classified in accordance with the cooperation agreements between the donor and organization.
 - All transactions are reflected in the financial statement, according to International Financial Reporting Standards.
 - Goods, services and works were procured in accordance with the organization/donor's procurement's policy.
 - All necessary copy of supporting documents, records, and accounts have been kept in respect of all programs.
 - Eligibility of expenditures claimed under Statement of Funds Receipts and Expenditures.
- Undertake compliance review with Government statutory requirements in areas including but not limited to taxation laws, employment law and any other applicable local requirements.
- Undertake compliance review between the donor and organization.
- Review the implementation of internal control, policies/procedures, risk management, and effectiveness of those documents.
- Give comment and feedback on the various policies and the actual practice including operational procedures, Financial Manual, Procurement Policy and HR policy.
- Interview with key staff while conducting the audit assignment as needed.
- Undertake reviews or conduct investigations as requested by the Internal Audit Committee.
- Prepare audit report for submission to the Internal Audit Committee for review and approval.
- Discuss with the Internal Audit Committee on the audit's findings and propose actions for improvement within the organization. 

5 Internal Audit Committee

The Internal Audit Committee is comprised of TI Cambodia's Senior Management Team which is chaired by TI Cambodia's Executive Director. Its main role and responsibility includes providing guidance and advice on the internal audit activity; review the audit report submitted by the Internal Auditor(s); and foster the implementation of recommendations for improvement; and creating learning/capacity building within the organization.

The Committee members shall be in charge of appointing the internal auditor(s). Since TI Cambodia is currently small and due to limitation of budget, the Internal Auditor(s) shall be selected within the entity. The initial members of the internal auditor team include a Monitoring and Evaluation Coordinator, a Program Assistant and a Finance Officer. They are assigned to audit both TI Cambodia's office and partner organizations which receive small grant from TI Cambodia. The members of the internal auditor team might be changed or replaced through rotation arrangement to be decided by the Internal Audit Committee.

The internal auditors shall comply with the Code of Ethics and the standards of the internal audit, and get familiar with the functioning of the entity and partners.

Although the internal auditors are selected from inside the entity, their works are objective and independent because the 3 internal auditors are not involved in daily operations, internal policy development and decision making both at TI Cambodia's office and partners.

6 Audit Planning


Before starting audit field work, the internal auditors shall prepare the internal audit plan which include proposed activities and a clear time-frame and seeking guidance and advice from the Internal Audit Committee. The internal auditors shall send the audit plan including audit field work to TI Cambodia and partners prior to the conduct of their field work. The internal audit shall be conducted in a three-month basis.

7 Audit Field Work

The internal auditors' fieldwork concentrates on assessing the effectiveness of the processes used within a unit/team/project, determining how well the risks identified at the planning stage are managed and how effectively are controls being implemented. This can take a variety of forms, including interviews, detailed testing/analysis of documents or transactions, physical check, and confirmation.

8 Audit Report

Based on the information collected during fieldwork, the internal auditors will draw conclusions, provide recommendations and if required, express opinions. The report shall be structured as follow:


- a) Observation 

- b) Implication
- c) Recommendation
- d) Management respond from TI Cambodia and partners

The final audit report after approval of the Internal Audit Committee should be sent to all relevant actors. A feedback meeting with each TI Cambodia/partners shall be held to discuss the audit findings, conclusions, and recommendations. The unit can give comments on the findings and reach an agreement on any recommendations identified before the formal draft report is produced.

The report shall also include an action plan which prioritizes recommendations and explains how TI Cambodia and partners will implement the action plan and those recommendations, by whom and when.

9 Functional Date of this ToR

The internal audit function shall be implemented from 1 October 2014. 

Approved by:



Preap Kol

On behalf of the Senior Management Team

14 March 2014