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ស្តីពី
ហិរញ្ញវត្ថុ

ថ្ងៃទី ១១ ខែសីហា ឆ្នាំ ២០១៦
 អាគារ KSSA (Diakonia)

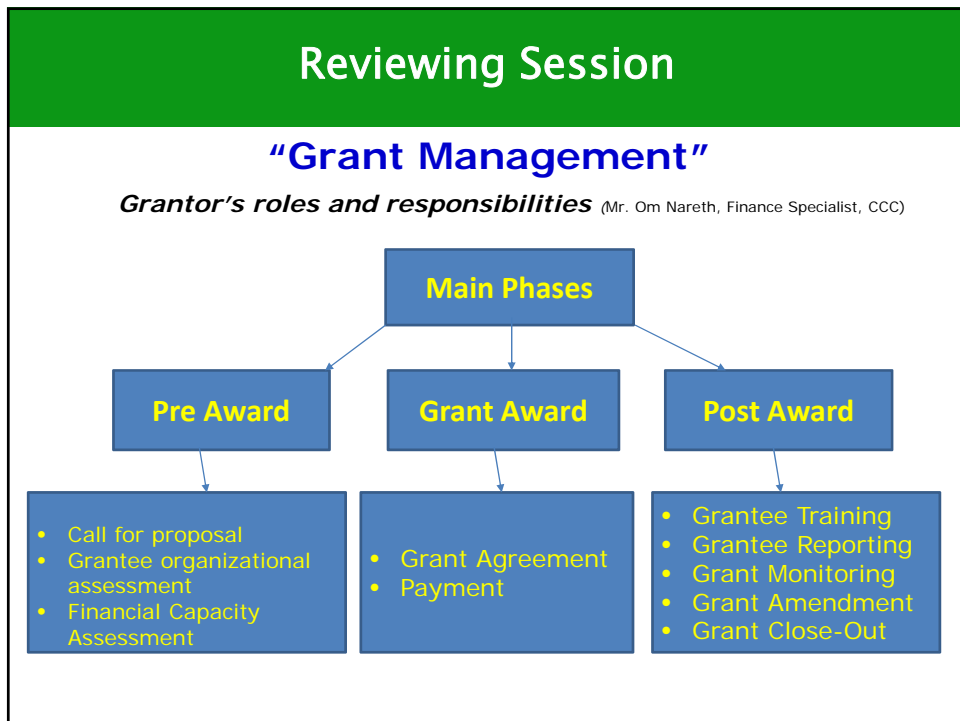
The 18th Learning Forum
On
Finance

11 August 2016
At KSSA (Diakonia)



Vision: Sustainable Development for Cambodia





Reviewing Session

“Grant Management” (con’t)

Grantee’s roles and responsibilities (Mr. Chhoeu Chhardaphea, Compliance Manager, IDE Cambodia)

1. Organization’s Policies & Procedure
2. Internal Controls
3. Manager’s Financial Role
4. Procurement Process
5. Monthly Financial Report for the Management
6. End-of-Project Checklist
7. Annual External Audit

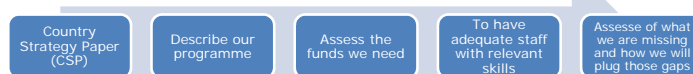
Reviewing Session

“Fundraising Strategy”

By Ms. Meas Sopheareak, Fundraising Manager, Action Aid Cambodia

1. Where do CSOs get funding/income from?
2. Where can you find the information about funding opportunities?
3. How do you know that it is the right funding opportunity for your organisation?

The better approach of fundraising we should consider about the practical steps of Program Led Funding Planning (PLFP) involvement, principles of PLFP and the crucial outlines of simple means as below:



Reviewing Session

Thank you for your attention!



Anti-Corruption Focus on Fraud Management

SUN Long, Director of Operations
Transparency International Cambodia


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DEFINITION OF CORRUPTION

- Corruption is defined as ***the abuse of entrusted power for private gain*** – Transparency International.


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Common Forms of Corruption/Bribery




Fraud &
Embezzlement




Conflict of *interest*




Nepotism



Abuse
of
Power




Briber



Gift


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DEFINITION OF FRAUD

- *To cheat. The offence of intentionally deceiving someone in order to gain an unfair or illegal advantage (financial, political or otherwise)-*
Transparency International
- *Dishonestly obtaining a benefit or causing a loss, by deception or other means-DFAT*

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DEFINITION OF FRAUD

- Fraud is typically carried out by an NGO's own staff, their partners' staff or other involved stakeholder - often by people you have previously trusted. Sometimes money may be leaking out of the organisation for a long time undetected.

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WHY PEOPLE COMMIT FRAUD?

1. Opportunity

- An opportunity arises due to a control failing unexpectedly, or the conditions are created to ensure the control fails.
- Poor design or lack of key controls in a particular system.
- Persons in positions of authority override existing internal controls because subordinates or weak internal controls allow them to break the rules

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WHY PEOPLE COMMIT FRAUD?

2. Motive

- **Pressure** – people may succumb to pressure when committing fraud e.g. external pressure from criminal gangs or domestic pressure of mounting debts.
- **Greed** – people may just suffer from greed and want to satisfy their desires through committing frauds.
- **Power** – People may commit the illegal act just to prove they can do it without getting caught, they are effectively showing a position of power.

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WHY PEOPLE COMMIT FRAUD?

3. It Makes Sense to Some People

- If senior managers are breaking the rules then it must be alright for others to do so as well.
- Some people may be asked to comply with rules that don't make sense to them, e.g. they contradict aspects of their culture, and therefore they ignore them.
- Some people feel that stealing is justified due to their own personal hardships, financial difficulties, costly addictions etc.

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WHAT FACTORS PERMITTING FRAUD?

Weak internal controls:

- Failure to employ appropriate segregation of duties between those responsible for purchasing, accounting for and managing assets
- Permitting unlimited access to assets increasing the risk of theft
- Failure to maintain adequate records and documentation thus no accountability
- The ability to process transactions without proper authorization

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WHAT FACTORS PERMITTING FRAUD?

- Failure to complete regular reconciliations between existing assets and records.
- Large quantities of cash in use unnecessarily e.g. excessive use of petty cash.
- Poor monitoring / supervision of staff which allows collusion among staff.
- Poorly trained workforce.
- Poor design and control and maintenance of computer applications and IT security

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COMMON FORMS OF FRAUD/EMBEZZLEMENT



- Stealing organization's properties.
- Removing small amounts of cash funds from daily cash receipts.
- Failing to record receipts and pocket the cash.
- Estimating excess expense amount for working advance for personal use.
- Paying ghost employees for kickbacks .
- Paying increased rates or hours to employees for kickbacks.
- Falsifying additions to payroll through uncontrolled access to the payroll database or through collusion with the payroll database administrator.

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COMMON FORMS OF FRAUD/EMBEZZLEMENT



- Paying false invoices either self prepared or in collusion with suppliers.
- Increasing the amount in the invoice in collusion with suppliers.
- Charging personal expenditure to the organization.
- Falsifying inventory records.
- Selling waste and scrap and pocketing the cash.
- Obtaining blank check and forge the signature.
- Permitting special prices to certain suppliers for kick-backs.
- Forging the signature of organization's authorized persons for any benefit.

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COMMON FORMS OF FRAUD/EMBEZZLEMENT



- Faking data in the financial report
- Increasing amount of participations in training, meeting, workshop in purpose to get some benefit from these.
- Faking signatures of participations
- Using organization's properties for their own benefit.
- Using working time to do their personal work.
- Sharing confidential information about planned procurement to supplier/service provider before or during procurement process.
- Sharing confidential information about recruitment to the candidate who is shortlist for the interview/written test.

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COMMON FORMS OF FRAUD/EMBEZZLEMENT



- Using personal bank account to keep the donor money.
- Stamping "paid" to the invoice, but delaying payment to the supplier/service provider without proper reason.
- Overstating the achievements in report without enough proof to the donors
- Faking the reports in collusion between the donor's focal person and the partner
- Falsifying any other documents/figures, etc.

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Group Discussion (Case Fraud)

15mn

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Fraud Management



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Can fraud be prevented?

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Yes we can!

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HOW FRAUD CAN BE PREVENTED/MITIGATED?



The most important first step that NGOs can do to fraud is to recognize that it happens.

1. Values

- In the participatory approach, include 'honesty' or 'integrity', in the organizational values statement.

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HOW FRAUD CAN BE PREVENTED/MITIGATED?



2. Involve staff, beneficiaries or other stakeholder

- Involving staff, beneficiaries or other stakeholder in planning and budgeting, and sharing financial report with them is of great importance as they can ensure resources are used properly.
- Ensure that office based staff are sometimes able to visit the field.

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HOW FRAUD CAN BE PREVENTED/MITIGATED?



3. Recruitment process

- Ensure the process is transparent from the announcement until selection of the candidate.
- No conflict of interest
- No Nepotism
- Enough committee members
- Clear scoring/point given
- No discrimination

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HOW FRAUD CAN BE PREVENTED/MITIGATED?



- When interviewing new candidates, consider asking questions such as :
 - Have you had any experience of fraud in any of the places you have worked? – without naming any names, please would you tell us a bit about what happened and how you felt about it?
 - What would you do if you discovered someone senior to you in the organisation was defrauding the organisation?
- When checking candidate's references it would be much better to have a verbal conversation when it comes to the question about the candidate's integrity as written references rarely reveal much).

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HOW FRAUD CAN BE PREVENTED/MITIGATED?



4. Orientation

- Discuss and orient with new staff about relevant policies, especially anti – fraud policy if you have.
- Expect honesty/integrity
- No tolerance on fraud

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HOW FRAUD CAN BE PREVENTED/MITIGATED?



5. Employee's pledge

- Encourage employees to make a voluntary commitment to act with integrity
- Report suspicious behavior
- Act in the interest of organizations/beneficiaries at all times.
- Pledge can be in writing and signed by the employees.

Here is the example of pledge of TI Cambodia

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HOW FRAUD CAN BE PREVENTED/MITIGATED?



6. Salary/pay

- Set pay levels not very low so employees are not expected to steal to be able to live.
- Percentage of gap between the highest and lowest paid employee-not so big

7. Management by walking about

- Managers should not make assumptions or rely on the written reports. They should also talk to beneficiaries, staff and visit the programm sites.

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HOW FRAUD CAN BE PREVENTED/MITIGATED?



8. Financial management training

- Strengthening the capacity of board, key managers and finance staff are the need so they have a better knowledge in preventing fraud.

9. Develop fraud risk register

- Identify key fraud risk areas based on your area of operation and register them.
- Please see the attached example: risk register

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HOW FRAUD CAN BE PREVENTED/MITIGATED?



10. Develop a good internal control system

- In particular, pay special attention to the high risk areas of, delegated authority, cash and bank, procurement, fixed assets, etc.

Here are the example of internal control:


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DELEGATED AUTHORITY



- Clear organizational structure, difference between board role and management role.
- The Board delegates authority through the ED for the day-to-day running of the organisation.
- ED further delegates authority to members of the management team to relieve the load and to ensure smooth operation.

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DELEGATED AUTHORITY


Delegated Authority document

- Who can authorize what and in which amount?

E.g. financial vouchers/request/agreement with donor/staff contract/other documents. etc.

- At least 3-4 signatories for banking issue. Signatory as a core principle and ordinary dependent on the amount; Signatory members should be ED, finance manager, program manager, board member.
- The document of delegated authority shall be approved by the governance board and shall be reviewed on a regular basis (annually)

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DELEGATED AUTHORITY

Authorization rules

- No one shall authorise any transaction from which they will personally benefit. This lays the individual open to claims of impropriety and calls into question the integrity of the organisation.
- Sub-ordinates must not authorise payments to managers – they must be passed to someone who is more senior in the management structure.
- At least 2 persons should sign banks related document (opening/closing bank account, and other correspondences, etc); and cheques.
- Signing on blank cheque shall be avoided.

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BANK

- 1. Bank reconciliation**
 - Prepared on a monthly basis with appropriate review.
 - The closing balance on the bank book and bank statement shall be reconciled every month.
 - It is a good control as it can identify omission and errors in organization's records and banks error or fraud.
- 2. Inactive bank accounts**
 - Must close bank accounts that are not needed any more. Inactive bank accounts make a perfect breeding ground for fraud.

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CASH

- 1. Keep minimum cash at the organization**
 - Keep a very minimum amount of cash
 - Most payment shall be made by check or bank transfer
- 2. Use an 'imprest' system**
 - Cash kept at the office shall be used in an imprest system.

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CASH


3. Access to petty cash and the safe shall be restricted

- Keys/password to the petty cash box and the safe should be given only to authorised individuals. Keys and passwords should be kept by different person (best prevention of fraud)

E.g. Finance Assistant owns safe box code, while a Finance Manager keeps the safe box key. Replacement shall need to back up once each of them is absent from work for a longer period of time.

- For the safety and security reason, another safe box key without security code shall be kept with Executive Director or someone. This key shall be used when the first key is lost.

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CASH

4. Cash count and reconciliations shall be done regularly

- The petty cash shall be counted and reconciled to the cashbook balance at least weekly.
- Reconciliation shall be reviewed and approved by different persons.
- Discrepancies must be noted as a gain or loss and allocated to appropriate categories. Big discrepancies shall be reported to the manager in charge.

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CASH

5. Keep money coming in separate from money going out

- Depositing the money received in cash straight to the bank, rather than spending it directly. This allows bank signatories members to exercise their authorisation control over withdrawal of cash. If you are operating an imprest system, putting cash receipts into the cash box will confuse the system.

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CASH


6. Always issue receipts for money received

- Receipts should be written in ink, and a duplicate copy made (eg with carbon paper). Ideally receipts should be printed and pre-numbered, and stamped and signed by the person issuing the receipt. Unused receipt books should be kept under lock and carefully controlled.

7. Always ask for official receipts for money paid out

- Official receipts are always needed
- If there is no official receipt, organization substitute receipt shall be used

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CASH

8. Transfer surplus cash into the bank

- Having cash lying around in the office is a temptation to a thief and the money would be better managed if it were kept in a bank account.
- A casual approach to cash on the premises might also lead to people wanting to 'borrow' from it – many a sorry tale of fraud has started in this way.
- Transfer cash into the bank on a daily basis or, at the very least, within 3 days of receipt.

9. Have a safe for keeping importance documents in addition to petty cash safe


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PROCUREMENT

- Principle stands on Transparency, Integrity, Equal Opportunity, Effectiveness, Efficiency,
- Quote/proposal 3
- Bidding
- Fair evaluation/selection; no discrimination
- Transparent committee members


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AGREEMENT WITH DONOR

- Follow the donors' agreement strictly
- Negotiation/discuss with donors if there is any change to the agreement or we cannot follow the term and condition the agreement


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FIXED ASSET

- The Assets Register
- Maintenance
- Insurance


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STOCKS

- Stocks shall be accurately recorded in a systematic way.
- Stock count shall be conducted on a regular basis with appropriate approval


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VEHICLES

- Vehicle policy shall be developed.
- Log book shall be recorded correctly
- Set up the account with Fuel Company

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HOW FRAUD CAN BE DETECTED?

1. Daily/monthly/quarterly review

Programme related expenses closely reviewed by each Programme Manager.
Operations related expense reviewed by the Operations Manager.

- Review of fixed cost expenses
- Review of advance/advance clearance
- Review the receipt of money
- Review of partner expenses/monitoring
- Review journal adjustment
- Review the monthly account (journal, ledger, income statement, balance sheet...)
- Review donors' financial report (budget Vs actual Vs activity)

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HOW FRAUD CAN BE DETECTED?

Tips for tracing the expense report when clearing the advance:

The verifier/endorser shall trace the expense report with the attached supporting documents. He/she shall check whether the invoices/receipts match the expenses shown in the expense report, and whether those documents are correct: are all the expenses properly accounted for on the report? Is the arithmetic on the expense report correct? The verifier shall compare the lodging and meal per diem schedule based on the policy, and check the advance monitoring report to determine whether the person who requested the advance has an outstanding one. If all the receipts and relevant supporting documents are correct and satisfied, the documents can be further processed.

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HOW FRAUD CAN BE DETECTED?

Example of programme related expenses

- Prepared by: anyone in the programmes
- Reviewed by program manager (budget holder)
- Certified by finance manager
- Approved by Programmes Director/ED

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HOW FRAUD CAN BE DETECTED?

Example of operations related expenses

- Prepared by: any staff in the operations
- Reviewed by HR/administration manager (budget holder)
- Certified by finance manager
- Approved by Operations Director/ED

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HOW FRAUD CAN BE DETECTED?

2. Internal audit

- Internal auditing is an independent function to examine and evaluate the effectiveness of economy and efficiency of the systems of internal controls established within the organization
- Internal auditor play independent role in detecting fraud/error.
- Internal auditor report to governing board, donor or beneficiary (when needed)

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HOW FRAUD CAN BE DETECTED?

2. External audit

- An external audit is an independent examination of the financial statements prepared by the organisation.
- Internal auditor play independent role in detecting fraud/error.
- Internal auditor report to governing board, donor or beneficiary (when needed).

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WHISTLE BLOWING

- Whistleblowing is the disclosure of information about perceived wrongdoing in an Organization.
- It is an effective tool in reporting the corruption cases which include fraud .
- What to Report: fraud cases
- How to report: verbal or written
- Who can report (all stakeholders)
- Whom to report to: ethics committee
- Confidentiality, Anonymity: keep confidential for whistle blower, can receive report in anonymity
- Whistleblower Protection: no retaliation

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Exercise (Fraud Risk Register)

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INVESTIGATION AND ACTION AGAIN FRAUD



- Corruption/fraud case investigation can be very sensitive and embarrassing to the concerned person
- Investigation shall be conducted carefully, covertly and confidentially
- Investigation shall be done in an independent manner and free from undue interference
- The person(s) who is assigned to investigate the case shall have broader knowledge of and well understand the normal process of common forms of corruptions/frauds, and through which the investigator(s) would be able to know where to obtain appropriate evidence to prove the case.

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INVESTIGATION AND ACTION AGAINST FRAUD



- The investigator shall be given with adequate investigative power.
- The investigator shall, during the course of investigation, collect all appropriate evidence and compile written reports once the investigation is ended.
- The report shall then be submitted to the Ethics Committee for further processing and action.
- If the report shows that there is no clear and enough evidence on the case, the Ethics Committee will end the case and no further action.

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INVESTIGATION AND ACTION AGAINST FRAUD



- If there is clear and enough evidence, the Ethics Committee will meet with the concerned person to inform the case to him/her and ask him/her for clarification on the charged case.
- The concerned person can bring staff representative along with her/him during the meeting with the Ethics Committee.
- Once the concerned person admits the corruption case, s/he shall be immediately dismissed.

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INVESTIGATION AND ACTION AGAIN FRAUD



Appeals against dismissal

- Where a decision to dismiss is taken, the concerned person may appeal within ten working days to Members of the Board of Director.
- Once the appeals are heard, the decision to dismiss shall not take effect until the appeal panel has determined the outcome of the appeal.
- The appeal process is a review of the decision to dismiss by the Ethics Committee.

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INVESTIGATION AND ACTION AGAIN FRAUD



Appeals against dismissal (Continue)

- A concerned person wishing to appeal against a decision to dismiss must, within five working days of receipt of written notice of dismissal, send written notice of intention to appeal to any Member of the Board of Director.
- The concerned person must, within a further five working days, send to the Members of the Board of Directors a statement explaining why s/he did not accept the dismissal.
- The Ethics Committee shall provide the members of the Board of Director with a summary factual statement of the events leading to dismissal, and the written reason for dismissal.

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INVESTIGATION AND ACTION AGAIN FRAUD



Appeals against dismissal (Continue)

- The Member of the Board of Directors will, as soon as possible, arrange an appeal hearing and will give the concerned employee not less than five working days' notice of the time and place of the appeal hearing.
- All parties involved in the appeal hearing will receive a copy of the notice of the appeal hearing, together with a copy of the employee's notice of appeal and related documents (if any); a summary factual statement of the events leading to dismissal; and the written reasons for dismissal.

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INVESTIGATION AND ACTION AGAIN FRAUD



Appeals against dismissal (Continue)

- The concerned person may choose to have a staff representative or a trustable work place colleague in attendance throughout the hearing.
- Members of Board of Directors shall, at each stage of the appeal hearing, ask questions of the concerned person, the Ethics Committee representative and any witnesses who may be called by either party.
- The decision of the members of the Board of Director is a final one.

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Thank You Very Much for
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Q&A

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