



គណៈកម្មាធិការ
សហប្រតិបត្តិការដើម្បីកម្ពុជា
Cooperation Committee
for Cambodia
Comité de Coopération
Pour le Cambodge

ទស្សនវិស័យ: ការអភិវឌ្ឍប្រកបដោយនិរន្តរភាពសម្រាប់ប្រទេសកម្ពុជា

Vision: Sustainable development for Cambodia

Minute of 18th Finance Learning Forum on “Anti-corruption focus on fraud management”



11 August 2016

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. Responding to its Governance Hub Program (GHP) for 2014 – 2018, CCC offers a range of capacity development and learning opportunities for NGO staff. Therefore, various Learning Forums has been organized by CCC focusing on Monitoring and Evaluation (M & E), Human Resource Management (HRM), Information and Communications Technology (ICT) and Finance learning forum.

The Finance Learning Forum has established since 2009 with a continuous strategic and technical advice from a dynamic finance working group formed by finance professionals and practitioners of CCC members and non-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.*

This is the minute of the 18th Finance learning forum which was held on 11 August 2016 at DIAKONIA Center (ICF/KSSA Building) which attended by 124 participants (87 females) from 77 NGOs (6 are non-members) who were finance practitioners and professionals. The objectives, expected outcome, and agenda for the 18th Finance learning forum were as below:

OBJECTIVES OF THE FORUM

- To inform the participants of the common forms of corruption & fraud.
- To refresh knowledge and understanding of the participants about fraud cases.
- To help participants strengthen their organization's internal control system and sound financial management which are robust in preventing fraud.
- To create a learning and sharing environment and build a stronger network of finance practitioners among CSOs community.

EXPECTED OUTPUTS

- Participants will be aware more about the Common form of corruption and fraud.
- Participants will have better understanding on fraud identification and fraud management.
- Participants will gain more knowledge on how to strengthen good governance in own organization.
- Participants will have more chance to learn, share, and build up more relationship among people who have same interest from similar fields.

II. SUMMARY OUTPUTS OF THE FORUM

The 18th Finance learning forum was presided by Mr. **Khorn Bunthong**, Head of Operations, CCC. He started to inform that this is the second forum of Finance in 2016, and the 18th Finance learning forum that had been organized by CCC since 2009. Today topic, Anti-corruption focus on fraud management, will enforce capacity of CSO in implementing their work with efficiency and transparency. Fraud and corrupt can be committed every time and everywhere if you miss management or internal control. It's a big root cause brings to end growing of one organization and our nation. Beyond existing policy in organization, everyone have to abide and remind themselves to

behave properly to avoid fraud and corruption. He also made participant remember NGO GPP's Code of Conduct which is a tool/system to ensure for good governance of NGO in Cambodia. Before opening, he further extended his sincere thanks to all participants, guest speaker and finance working group of CCC for making today event happen as planned.

SESSION 1: Review learning points from previous Finance learning forum

This session was facilitated by Ms. KEN Sopheap, Finance Working Group of CCC and Finance and Admin Manager, Cambodia Office Heinrich Böll Stiftung.

1. Grand management or grand administration (involve both finance and program to make sure that their work is not duplicated)
2. The three main phases:
 - Pre award (Call for proposal, grantee organizational assessment and financial capacity assessment)
 - Grand award (Grant agreement and payment)
 - Post award (Grantee training, grantee reporting, grant monitoring, grant amendment and grant close-out)
 - Grantee's roles and responsibilities
3. Fundraising strategy
 - Program Led Funding Planning (PLFP)

SESSION 2: "Anti-corruption focus on fraud management"

This session was facilitated by **Mr. Sun Long**, Director of Operations of Transparency International Cambodia. His session was covered on definition & common form of fraud and corruption, reasons of committing fraud, factors permitting fraud, group discussion on case fraud, how fraud can be prevented/mitigated, delegated authority, how fraud can be detected, and whistle blowing.

Transparency International defines corruption as the abuse of entrusted power for private gain and fraud as the offence of intentionally deceiving someone in order to gain an unfair or illegal advantage (financial, political or otherwise)-some of big organization also defined the meaning of this word similarly.

Some reasons lead people to commit fraud such as opportunity (due to poor internal control), motivate (pressure of mounting debts, greedy and power), it makes sense to some people (if senior managers are breaking the rules then it must be alright for other to do so as well). Weak internal control is a factor permitting fraud. The internal control refers to the systematic process of working such as segregating of duties, authorization, asset/property recording, cash managing and IT security system managing.

Group discussion: participants were break into ten small group discussions to share about fraud case that they experienced. *(The detail results of group discussion in Annex 1)*

Fraud can be prevented/mitigated by including honesty or integrity in the organizational values statement. Involving staff, beneficiaries, or other stakeholder in planning and budgeting. Ensure for transparency in the recruitment process. Orient new staff about anti-fraud policy or any activities that considered as/lead to fraud. Moreover, employees should be encouraged to sign on pledge to ensure for proper behavior and integrity toward the organization. *(Sample of pledge can be found in Annex 2)*. Salary/pay rate should not have big gap from one position to another. Manager should

allocate some time to talk to beneficiaries, staff and visit the program sites. Proper deliver financial management training to board members, key manager and finance staff. *Fraud risk register list was introduced and highly recommended to develop to identify key fraud risk areas based on the area of operation.*

Governance structure is the main important point to ensure for good internal control. Define level of authorization (what and which amount). He further recommended that bank reconciliation should be done regularly and inactive bank account must be closed since it makes a perfect breeding ground for fraud. Cash management should be done as following:

1. Keep minimum cash at the organization
2. Use as “impress” system
3. Access to petty cash and the safe shall be restricted
4. Cash count and reconciliations shall be done regularly
5. Keep money coming in separate from money going out
6. Always issue receipts for money received
7. Always ask for official receipts for money paid out
8. Transfer surplus cash into the bank
9. Have a safe for keeping importance documents in addition to petty cash safe.

Not only finance people responsible for other works to detect fraud but also all program staff. All of them must be able to review budget especially own program related expenses. Operations manager should review operations related expense as following:

- 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)

Besides reviewing budget, auditing (both internal and external) is another very effective way to detect fraud and error as well.

One solution dealing with fraud is whistleblowing. Whistleblowing is the disclosure of information about perceived wrongdoing in an Organization. It’s also considered as an effective tool in reporting the corruption cases which include fraud.

Since investigation can be very sensitive and embarrassing to the concerned person so it shall be conducted by a person who have broader knowledge of and well understand the normal process of common forms of corruptions/frauds and in the carefully, covertly and confidentially manner. If the ethics committee found enough evidence of the concern person, they may appeal against dismissal within ten working days.

Before finishing his session, he introduced participant the form of fraud risk register and highly encouraged to develop/complete this form. *(Sample of fraud risk register can be found in Annex 3)*

For details session, please find in slide presentation.

Table discussion to define topic for the next Finance Learning Forum

Table discussion was facilitated by Ms. SAM Vaddthanak, Learning Officer of CCC. She asked participants to define from two to three topics that they wish to happen for the next Finance learning

forum. Below are the four main topics raised by participants (by table) in the 18th Finance learning forum in year 2016.

1. Refresh role and responsibility of internal audit
2. Taxation and declaration
3. Financial management
4. Financial control system in NGO

These 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.

Conclusion and closing remarks

The conclusion and closing remarks was made by Mr. Ok Libounna, Finance Working Group of CCC and Finance Manager of CWS. He highly appreciated the speaker and participants for attending today event and he strongly believed that this knowledge will make a better change for their organization's operation. He emphasized that finance people are the intermediary who should have own strong position with high integrity and honesty. Thanks for CCC to organize this event to strengthen the NGO's capacity and capability to manage fraud which lead to corruption among NGO itself. His key message encouraged participant to use this knowledge to improve organization performance in a proper way.

III. CONCLUSION

The 18th Finance Learning Forum was conducted successfully on 11 August 2016 with active participation by all participants and professionally supported by honored guest speaker and fruitfully produced great outputs as expectation. Within this forum the important topic, anti-corruption focus on fraud management, was clearly presented to the participants. To measure their understanding, to understand about their commitment to make change in own organization and to seek for constructive feedback, all of the participants were asked to complete the evaluation form at the end of the forum.

Regarding the consolidated result of evaluation form completed by the participants, most of them rated as high on the process, logistics providing, contents, understanding the content, duration and the venue.

57% of participants captured well about definition & common form of corruption and fraud/embezzlement while 32% of them caught the fraud management like fraud identification, prevention, & detection follows by 7% that apprehended all points related to internal control like managing petty cash, conflict of interest, reconciliation, quotation process and asset registration. To improve their own skill as well as the organization's performance, they also committed to put these knowledge into practice.

51% of participants will apply the above knowledge by sharing anti-corruption and fraud management with colleagues and management in staff meeting and training so that they can identify risk together and improve their project/program implementation. Moreover, 31% of them committed to review internal control system (policies and develop anti-fraud policy) to reduce fraud.

In general, 75% of participant had no comment and 22% of them said this forum is very important because all participants can share cases happened in their organization. Moreover, the forum has good logistics arrangement and preparation like snack, lunch room, M&C and facilitator. Yet they also suggested having longer time so that we can have more group discussion and share more case of fraud.

Annex 2: Sample of pledge



My Pledge for My Country

As a proud citizen of my country, the Kingdom of Cambodia, I _____ have the honour to make the following pledges:

1. I will live my life of high value, with honesty and integrity and give my respect to those who have the same values.
2. I will not request or take a bribe for any reason.
3. I will not pay a bribe*.
4. I will report corruption to relevant institutions.
5. I will promote the value of integrity in my family, at school, at workplace, in community and in the society.
6. I will participate in activities of Government, NGOs and relevant institutions to fight against corruption and promote integrity.
7. I will demand for accountability, transparency and integrity from public official and political candidates.
8. I will not consume products or services of a company that is found to be involved in committing corruption or violation of human rights.

Signatory

Acknowledged by
Transparency International Cambodia

Witnessed By

*If circumstances force me to do so in order to save a life, I will report the situation in which I was being forced to pay bribe to the relevant institutions in order to stop the corrupted person from harming more people.

Annex 3: Sample of fraud risk register

	Risk areas identified	Date added to register	Initial risk assessment			Current risk assessment			
			Likelihood (score) 1-3	Severity of impact (score) 1-3	Overall 'gross' risk (likelihood x Severity of Impact) 1-9	Control procedure(s) identified	Controls in place	Comments	Responsible person
1	Theft of assets	11 August 2016	High (3)	Medium (2)	High (6)	-Asset register -Quarterly asset verification -Insurance	? ? ?	In progress	Admin manager