



POVERTY REDUCTION FORUM TRUST

RISK MANAGEMENT & FRAUD POLICY

INTRODUCTION

Workplace fraud is a common, everyday occurrence. Every business large or small is vulnerable to these crimes. The fraud can have a substantial impact on a business's economical value "bottom line" and even on its continued survival and success.

Although it is not possible to completely eliminate fraud risks, it is possible to reduce the risk and to minimize fraud related losses and other consequences through effective loss control measures. Reduction of fraud risk requires a thoughtful, comprehensive, and proactive approach.

TYPES OF FRAUD

- a) Asset misappropriation – the can be simple put as theft of something of value that belongs to an organisation e.g. billing, payroll, checks issuances etc
- b) Fraudulent Financial Statements, Books & Records – the financial statements may also be targets for fraud through manipulation to hide, falsified to accomplish.
- c) Corrupt or Prohibited Practices – these business practices may include side agreements (undisclosed rebates or kickbacks), bid – rigging, bribery and extortion. This may involve hidden arrangements with customers and suppliers of goods of and services to a company.

PREVENTION OF FRAUD CASES

There is need to develop a risk management program that includes loss control measures as critical to the detection, mitigation, and prevention of fraud related risks.

The following loss control measures should be put in place so that the organisation will not suffer from fraudulent activities -:

- a) **Employee background screening** – this is a must especially for positions that involves trust, such as handling of cash, inventory and financial statements. Organisation should check criminal history, verify employment and education etc
- b) **Effective oversight** – to monitor, review and supervise financial related activities on a regular basis at multiple levels.
- c) **Mandatory vacation policy** – employees who hold financial positions should take up regularly scheduled vacation and should not be allowed to conduct business while on vacation.
- d) **"Zero tolerance" fraud policy** – there is need to announce, communicate and enforcement of zero tolerance fraud policy.
- e) **General fraud detection practises** – reports such as variance analysis, review of supporting documentation, computerised tracking and analysis of employee expense accounts e.g. employees with high abnormal high travel patterns.
- f) **Suppliers management** – screening mechanism should be put in place such as verification of supplier existence, requisite qualifications and capacity, procedures for approving orders, payment authorisation etc.
- g) **Cash & cheque balances periodic analysis** – monthly reconciliations should be done since these minimise fraud cases
- h) **Payroll** - to review and authorise staff salaries on a monthly basis such that cases of overpayment is eliminated at all cost, ghost employees etc
- i) Conflict of interest, kickbacks, bribes and employee corruption – there is need to develop a culture that supports, and expects, reporting of ethical lapses, acceptance of authentic and original documents (no need for photocopies)
- j) **Segregation of duties** – segregation of duties is so important for posts that involve cash transactions. The person who prepares payments should not authorise and the person who purchases goods and services should not receive goods etc.

PRFT receives its funds from different partners and there is need to protect our corporate identity through the elimination of fraud related cases.