

## CORRUPTION AND FRAUD

### Checklist

To be used by (target group): Controllers, managers and others with financial responsibilities. This document is also an attachment in the Operational Manual.

(last revision 21/10-2010 by CriAma)

Subject area	Risk/lack of internal control	Suggested activity	Date Checked:	Checked by:	Status:
1. General, overall risks.	Lack of separation of duties - within financial related areas.	A. Introduce routines which cover separation of duties (e.g. warehouse stocks/inventory, ordering and approval) B. Identify other actions that can be taken if separation of tasks is difficult/impossible to achieve (for example, sporadic and unannounced control visits/checks) C. Establish written guidelines and routines			
	Open access to building/office/ equipment and sensitive or confidential information.	A. Mark/label all equipment and keys. Produce and file a list of the same. B. Secure all valuable equipment and documents. C. Ensure controlled access.			
	Open access to accounting system and/or accounting system that is not "identity traceable", thus allowing change of data by unauthorized personnel and/or allowing for "anonymous" changes to data.	A. Introduce a system which is closed and where data registration is traceable. B. Introduce use of passwords. C. Introduce routines for periodic check of accounting data.			
	High personnel turnover.	A. Update lists of those who have authorized access to data and list of those who have authority to approve. B. Provide training, on a timely basis, regarding routines and guidelines for all new personnel. C. Provide for necessary overlapping (managers, delegates, petty cash responsible etc.)			
	"Unhealthy" culture related to fraud & corruption.	A. Implement internal training to increase knowledge and insight into adequate financial management, fraud & corruption. B. Training of all employees regarding Norwegian Red Cross' "Whistle blowing" policy and routines. (In many cultures, lack of transparency is common, and informing of irregularities is not accepted. Such cultural differences should be addressed.) C. Contribute to a work-culture which allows for transparency/openness and the possibility to report irregularities. D. Be aware of changes in employees' spending patterns and implement risk reductions measures where personal gain is temptingly easy. (especially important in countries with high poverty levels). E. Offer assistance to partner National Societies/Districts who are interested in further developing their anti-corruption routines (start by checking that Partner National Society has filled out the "mapping" form which covers most anti-corruption areas).			
	Lack of written Power of Attorney (delegated authorization)	A. Approved "Signature Hierarchy/Power of Attorney" for: procurement orders, approval & authorization of outgoing payments, and signing of contracts with partners as well as opening of bank accounts and use of bank accounts (correct level must be observed). B. Training regarding "Signature Hierarchy/Power of Attorney" and training regarding contracts and other legal documents that commit the Red Cross.			
	Lack of written guidelines.	A. Produce financial guidelines, provide training and follow-up compliance. B. Financial guidelines - in English - should be included in Operational Manual. C. Operational Manual is kept up-to-date and in keeping with Oslo Headquarters' financial guidelines ("økonomiinstruks"). D. Employees in our field offices are made familiar with the Operational Manual. Operational Manual is actively used as reference manual for the field offices.			
2. Petty cash / bank	Easy access, by unauthorized personnel, to petty cash box with large amounts of cash.	A. Petty cash box should be kept in a secure place and access to it should be controlled (see also separation of duties above). B. There should be a maximum limit - or a set amount - of cash available in the petty cash box.			
	Lack of periodic reconciliation of petty cash and bank accounts.	A. Periodic reconciliation of petty cash and a control check/verification of receipts which is carried out by at least 2 people. B. Periodic and unannounced "spot checks" of petty cash and documentation connected to petty cash payments. C. Written routines for handling of petty cash box (cash book).			
	Bank accounts are not included as part of the accounts/financial statements.	A. All bank accounts should be registered in the National Society's name and included in the National Society's (or in the District's) accounts/financial statements. B. All transactions should be done via the National Society's (or the District's) bank accounts.			

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	Improper use of authorized signatures related to bank accounts.	A. Authorized signature for bank accounts are updated regularly and as needed (e.g. personnel turnover or change of duties). B. In some cases, it may be necessary to consider checking, on a regular basis, that the bank has a correct list of authorized signatures (ref. falsification of documentation).			
	Lack of routines related to incoming and outgoing payments.	A. Establish written routines, and ensure training related to the same (routines must include separation of duties and routines related to approval and authorization). B. Check that incoming and outgoing payments between Red Cross entities are in agreement and that there are adequate routines for the same. C. Regular reconciliation of bank accounts and check that bank statements are original.			
3. Travel and reimbursement of costs (food & drink) related to one's "official capacity".	Receive inappropriate remuneration or allowance in connection with travel (per diem, mileage allowance, fuel)	A. Introduce routines for reimbursement of travel expenses (travel expenses report form). B. Check travel expenses report. (Among other things, check receipts for hotel, meals, method of transport and make sure that they include the name of person who travelled etc.)			
	Outstanding project advances and travel advances.	A. Written routines for project advances and travel advances must be implemented. (e.g. routines should stipulate deadlines for reconciliation/settlement of advances)			
	"Loans" to employees.	A. No loans of any type shall be allowed.			
	Receive inappropriate remuneration or allowance related to telephones etc.	A. A written agreement should be produced specifying what benefits are allowed, including possible limits and provisions (e.g. that the benefit is connected to a certain duty or function). B. An overview should be produced and followed-up on a regular basis in light of personnel turnover.			
	Possible tax evasion in connection with taxable benefits.	A. Check that proper reporting of benefits has been provided to tax authorities.			
	Personal gain/benefit; use of vehicles for private purposes.	A. Implement use of travel log book which documents legitimate use of vehicles (for vehicles owned or funded by Norwegian Red Cross). Check travel log. B. Check use of fuel compared with travel log book also check and compare trends related to fuel usage.			
	Travel as a "bribe"	A. Documentation must clearly state the objective of the trip and the list of participants.			
4. Procurement	Coverage for unauthorized personnel (deliberately ordering more food/drink than is necessary).	A. List of participants and objective is clearly stated in documentation. B. Check list of participants (the number) against the invoice.			
4. Procurement	Choice of supplier and lack of tender process (conflict of interest).	A. Check conflict of interest (e.g. in relation to friends/family) B. Produce written procurement routines or use the Norwegian Red Cross' (or IFRC's) procurement routines. Routines should include information related to: criteria for choice of supplier and of product (principle of best value for money etc), tender process for procurement over a given value, as well as considering the need for a Tender Committee. Furthermore, requirements for written documentation related to the tender process and choice of winning tender, as well as rules for accepting gifts from suppliers should also be included in the procurement routines. C. Establish good routines for entering into framework agreements and renegotiation of the same. D. Where appropriate, ensure that framework agreements are used and follow-up if framework agreements have not been used.			
	Receipt of goods; Invoice is paid without checking that goods have been received.	A. Check that goods that have been received are in agreement with the invoice. This should be incorporated into the routine for payment approval. B. Introduce "spot checks" of equipment purchased (do a visual check of the equipment and compare with purchase order and invoice)			
	Deliberate incorrect invoicing from supplier.	A. Check that invoice fulfills national accounting standards' requirements. Introduce spot checks. B. Compare the invoice for goods or services against the purchase order and the goods or services actually received.			
	Over-priced procurement.	A. Compare price against price of similar product at approximately same point in time. Review whether "value for money" is appropriate. B. Check for "suspicious" trends in financial accounts data related to procurement.			
	Payment for consultants which is not adequately justified or documented.	A. Ask to see the "product", the report etc. B. Spot check the documentation. Check that the company exists, who is on Board of Directors, etc. C. Ask to see the contract.			
	Invoice without documentation.	A. Contact the supplier and request adequate documentation. See above. (All invoices without adequate documentation should not be paid until such documentation is provided).			
5. Sales/Warehouse stocks	Theft, loss/wastage	A. Secure access to warehouse (locks) B. Keep an warehouse inventory, and control and reconcile the same (some kind of system for inventory control should be in place). C. Include regular periodic inventory as part of written routine (minimum annual inventory).			

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6. Lottery and fund raising	Confiscate funds collected	A. Funds shall be deposited in the National Society's bank account. B. An overview and financial statements/accounts reflecting collected funds must be produced. C. Transactions related to collected funds should be visible/traceable in the National Society's financial accounts and bank accounts. D. In Norway, "Lotteri- og Stiftelsestilsynet" requirements shall be followed.			
7. Financial accounts	Inadequate or fraudulent documentation	A. Follow national standard accounting rules, principles and requirements for documentation and file maintenance - also for National Society's that are not required to submit annual accounts. B. Ensure that the auditors letter related to our Partner National Societies is available to us. (Management Letter/"Matters for Governance Attention"). C. Periodic and unannounced "spot checks" of supporting financial documentation (e.g., actual receipts, vouchers, expense reports etc.) D. Field visit if necessary.			
	Deliberate incorrect transaction entries to conceal an error and/or shortage.	A. Petty cash training, where corruption and fraud is addressed. B. Periodic check of general ledger accounts, accounts receivable ledger and accounts payable ledger to check for "abnormal" trends. C. Compare budget and expenditures against plans and reports to see if unexplained deviations occur. D. Introduce reporting templates which provide adequate and relevant comparative information.			
	Accounts and reports are only available at an aggregated level making comparison difficult.	A. Request detailed financial accounts and budget so that comparisons can easily be made.			
	Administration costs are overinflated (too high).	A. Request a justification and documentation that explains how administration costs are calculated. Is the explanation reasonable? Has the Red Cross been charged for the entire amount or has there been cost sharing with other parties who should have shared the administrative costs? B. What percentage of total costs is attributable to administration costs?			
	Lack of financial reporting regarding funds transferred, (this could cover the fact that the same cost may have been financed by two donors).	A. Request that the financial report shows what costs were financed by the donor's funds ("donor tagging"). B. Check that the project financial accounts show all income sources and all expenditures connected to the project (within reason). C. In international operations it is suggested that contact and coordination with other donors who are contributing to the same programme may be useful so as to avoid the possibility of double financing.			
	Deficient or lack of financial reporting.	A. Written agreement which covers reporting requirements including deadlines (cut-off dates for entries) and audit requirements. B. Withhold funds (e.g. next installment) until reporting is received.			
	Accounts are not closed within given timeframe.	A. Check entries and compliance with timeframe for closing of accounts (goods and services that are received after the given date are to be included in the next accounting period).			
	Lack VAT exemption.	A. Development and relief aid is "as a rule" exempted for VAT. Procurement should be without VAT or VAT should be refunded after purchase. This should be visible in the financial accounts. If not, request explanation to ensure that VAT refund was not put on another account and perhaps misused or embezzled.			
8. Audit	Quality of audit is inadequate. Kvaliteten på revisjonen ikke god nok.	A. Ensure that regular periodic external financial audits are performed by auditors that are approved by the Norwegian Red Cross' Headquarters auditor. B. Check that auditor is "independent" - has no financial interest in the client that they are auditing.			
	Lack of "consolidated audit".	A. Ensure that the audit is a "consolidated audit". If the reason for lack of consolidated audit is due to cost - discuss this explanation and address the "problem" if possible.			
9. Access to data/computer systems.	One person has access to "everything" (performs various tasks and duties).	A. Please refer to point above on "segregation of duties".			

**CHECKED BY**

Date:	Signature:	Name and Position

**Logging check-list**

Date:	Name:	Position: