

CASE STUDY

IMPROVING THE LIVES OF VICTIMS OF HIV/AIDS

Nothing eats stakeholder value like fraud and corruption. Prevention of fraud is better than investigations. To this end, Summit Consulting Ltd is often called to provide on-going fraud management training to promote awareness of fraud red flags, what you can do as a staff member when you suspect fraud and fraud investigation. In the following case study, print and share with your team and ask them to answer the questions that follow in groups of three. To implement an effective fraud risk management framework, visit www.summitcl.com/forensics and download a free toolkit to transform your organization.

Promote transparency and become a leader strategic partners want to work with. When you demonstrate strong fraud and corruption risk management, by implementing the summitFORENSICS Toolkits, you become a model organization that donors like DFID, USAID, Melinda&Gates Foundation, among others want to trust their funds with.

JAMES KAKOMA JUNIOR a diploma holder in Accounting and Finance is the financial officer at Need Help, a local NGO that provides financial support to victims of HIV/AIDS and street children.

In 2014 the NGO applied for a grant from partner donors to help reach areas of Eastern Uganda more specially Iganga, Mbale and Tororo and it was successful in receiving a grant of Ushs. 11.5 Billion (US \$3.1m).

James has worked with the NGO for the last 5 years and he is an excellent performer. James recently completed his degree in Accounting and Finance and expects a promotion due to this new milestone in his academic career. James has a family of four children with one wife and rents an apartment in Kira-Kitukutwe; an upcoming upscale estate in the outskirts of Kampala City.

James has been identified and given the role of managing this grant on behalf of the donors. Among his key responsibilities are;

- i. Effective Value for Money (VFA) delivery
- ii. Establishing audit trails and understanding donor requirements
- iii. To provide advice and support to country team in all aspects of the financial management of cash disbursements accountability, Funding allocations, fuel usage monitoring among other responsibilities.
- iv. Establish and implement Standard Operating Procedures for grant allocated activities
- v. Ensure compliance with laws and regulations

As part of the implementation process for this grant, it is required that Fund Manager is continuously kept abreast of all developments.

Peter Kasirye is a liaison officer for Fund Manager based in Jinja and in charge of Eastern Uganda has been in touch with James overtime as they are very good friends. Over coffee one day, James told Peter about his dilemma at the work place of how his promotion has delayed and the news in the corridor is that a one Rita will take the role of Financial Controller even if she has only worked in the NGO for one year.

James also informed Peter of how the landlord has increased the rent due to increases in the bank mortgage rate for the premises. James now is looking for new place to rent. They both lament how school fees accounts for nearly 80% of monthly salary and school starts early February 2017 and both agree that the Uganda economy is not good.

James suggest to Peter, maybe they can "make some money" from the grant he is handling. Peter seems interested only that he does not reveal to James that Rita who is vying for the position of Financial Controller is his in-law. Peter declines to share ideas with James due to possible conflicts with his in-law and to which James casually comments "everyone eats".

James in the next eight months in handling the grant has managed to move to Kololo, a very upscale location to rent a full house and now drives a new car - Lexus 2000 model a V6 engine and 3000CC. Rita and a few colleagues can see that James is a happier man but wonder how his new lifestyle has come about and most especially how he can fuel such a car. The rumors in office are that surely he should be using fuel allocation for the project on his car. James one day mentions that he now deals in land and has made a huge deal and needs to enjoy his money before he dies. And adding casually, "man, life is short. Enjoy it fully when you can."

In the coming eighteen months James changes his car to a Benz C350 has the iPhone 6 new model and life seems to be too good considering his Gross Salary of Ugx. 2 Million (US \$526) per month.

In office corridor news, James and Rita have become “too close for comfort” and usually go out together in the evening for a cup of tea. They seem to be more than friends and in any case James has the financial muscle to look after her and his family

Before the end of the financial year Rita is promoted as Financial Controller and among her key tasks is to recruit an audit firm to carry out an audit of the grant for supporting HIV/AIDS and street children. Finally the audit firm gets recruited at the insistence of the donor, with clear audit objectives.

The Audit firm preliminary findings are below;

1. No field reports to support the accountability of funds received. Funds worth Ushs. 1.5 Billion purportedly given to 500 orphans as schools fees and facilitation allowance for beddings, reading materials, etc cannot be accounted for.
2. The audit firm noted that in some circumstances, the listed names of beneficiaries could not be traced. James said that some beneficiaries had died and due to lack of death certificates, “his hand are tied”
3. Most records concerning receipt of funds were not available. This is worsened as some beneficiaries are illiterate and James had no option but give them money.
4. The auditors noted high uses of manual records and lack of a good accounting system. It was not easy track funds used and by who.
5. The auditor reported instances of using company assets such as car for personal uses such as carrying unauthorized officials and carrying food.

6. Most concerning was the revelation by the auditors that some intended beneficiaries had paid a “token of appreciation”, “airtime” to NGO staff to receive benefits.
7. The report indicates a possible financial loss of Ugx. 500 Million and that only 1,000 recipients out of 20,000 as projected had received financial help through this grant.
8. Some suppliers are not registered with the registrar of companies as they did not provide any background information prior to obtaining contracts and above all, most payments for supplies are in cash and not bank.

This information has leaked in office and Rita has been defensive of her financial officer James and says he has do nothing wrong. She claims that even if not all procedures have been laid down, the finance has follow best industry practices, donor guidelines and standards in all dealings and even questions the authenticity and experience of the auditors.

Discussion Notes;

1. List top 5 red flags that could point to fraud
2. What steps would you take to report or whistle blow based on the red flags?
3. As the ED of the NGO this information has been brought to you attention in writing. What alternatives do you have morally and legally?
4. What is the impact if proven that fraud occurred on this NGO and employees?
5. What are the key learnings on fraud in this case scenario?
6. What measures can be taken by this NGO to minimize on fraud in future?
7. What are your top 3 immediate actions to remedy the situation?

Summit Consulting Ltd
Fraud case study / create an anti-fraud culture through on-going training
become a darling of donors & regulators implement <https://www.julisha.org>

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