

## MODULE 3.ANALYSIS AND MONITORING



- In this module:
  - Cost Efficiency
  - Risk Analysis
  - Risk Mitigation
  - **Financial Control**
  - Quality Control
  - Monitoring

## DEFINITION INTERNAL CONTROL



Internal control is a process “*designed to **provide reasonable assurance of the achievement of objectives** in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.*”

SOURCE: COSO, 2006

## FINANCIAL CONTROLS

### Internal Control

- Process or system to ensure the organization's assets are being efficiently employed.
- Controls are measures to manage identified risks
- Checks and balances within an entity
- Process or system that helps to prevent misappropriation, fraud and corruption, loss of assets and financial resources
- Process designed to ensure reliable financial reporting, effective and efficient Support Services, and compliance with applicable laws and regulations.

Limited resources; need to make best use of them. There is an opportunity cost of doing this means we won't be doing that.

Managing the risks – what risks are prevented through the use of financial controls?

Reporting gives us visibility of what we have done. Budget codes show the activities, projects, planned and actual, earmarking

Is it different for cash? In the main, no.

## FINANCIAL CONTROLS

### When do we need it?

- Internal control apply throughout the project, from the design phase to the reporting.
- When assets with financial value are being used

### Whose Responsibility is it?

- Everyone's responsibility (Management to ensure that it's in place)

### Is it an effective control?

- adapted according to context and needs
- supported by appropriate and comprehensive policies and procedures
- understood by the staff and executed regularly
- tested and audited
- has reduced/mitigated risk
- has not impeded the Programme

All phases of the project cycle

These can be seen to impede (rather than to protect) a program particularly sign off delays or making sure someone follows the process

## FINANCIAL CONTROLS - DESIGN

### Types of Controls

- Detective vs. Preventative
- Manual vs. Automated/system
  - Segregation of duties
  - Approval authorities/Proper authorization
  - Maintaining adequate documentation and records
  - Physically securing assets (e.g. stock of cards)
  - Monitoring and reconciling
  - Limited system access
  - External audits

The Fraud and Corruption training is mandatory for IFRC (2 course + one more for managers) on the learning platform so available to ICRC too.  
Internal audits could be seen as preventative (if people are aware these happen and it changes behaviour) and detective as they uncover non-compliance

### Type of controls

#### **Preventive vs. Detective**

⇒ Pre-transfer vs Post-transfer

#### **Preventive controls :**

- Supply Request approval.
- Double signature for authorization of payment.
- Pre-registration of beneficiaries (with id number, card or token).
- Registration, payment and reconciliation done by

different staff members.

- Cash and cash equivalent is properly controlled and safely stored
- Control of IT access

### **Detective controls :**

- Physical count (cash / vouchers)
- Reconciliation of FSP statement
- Direct contact of beneficiaries (PDM or spot check)
- Audit / Review

### **Manual vs. Automated**

⇒ Procedures vs IT System

## Key principles

### **Four eyes principle :**

⇒ Execution and validation of a process should not be done by the same person

### **Segregation of Duties :**

⇒ Split the process in order to avoid one person having the opportunity

## CONTROL ACTIVITIES – FRAUD TRIANGLE



The fraud triangle = a framework for spotting high risk fraud situations  
Pressure = financial or emotional force pushing towards fraud  
Opportunity = Ability to execute plan without being caught  
Rationalization = Personal justification of dishonest actions

## KEY TAKEAWAYS

- Everyone's responsible for financial controls
- Financial controls need to be adapted according to context and need and supported by appropriate and comprehensive policies and procedures
- Types of financial controls includes Detective vs. Preventative and Manual vs. Automated/system



Logistics and Finance can assist with the contextualisation particularly for CTP/CVA as this is newer and people might be less familiar with financial controls and how these can be applied for CTP and how to ensure there is a balance of detective and preventative measures as well as support on manual and automated.