A Literature Review of Fraud Risk Management in Micro Finance Institutions in Ghana

Akwasi A. Boateng *, Gilbert O. Boateng , Hannah Acquah
1. School of Business, Cape Coast Polytechnic, P.O.Box AB 50, Cape Coast, Ghana
2. School of Business, Takoradi Polytechnic, P.O.Box 256, Takoradi, Ghana
3. Department of Business Admin., University of Professional Studies, P.O.Box LG 149, Accra, Ghana
Corresponding e-mail: gillyboateng@yahoo.com

Abstract
Due to the recent financial crisis, micro finance institutions cannot afford to be indifferent to fraud risk management practices in the battle for survival, financial sustainability and self-sufficiency. Microfinance institutions serve some of the world's most financially challenged population who otherwise would not have access to financial services. This paper is a theoretical study on effective fraud risk management in micro finance institutions in Ghana. The study adopts exploratory approach by reviewing and analyzing the views of scholars and practitioners in the area of fraud risk management. The research revealed that corrupt board of directors, senior management and employees, weak systems of internal control, policies and procedures, weak regulatory institutions, greed on the part of culprits, inadequate staffing, inadequate training and retraining, ineffective internal and external audit functions and a macro-economic environment that eulogises wealth irrespective of how it is made constitute aids to fraud in micro finance institutions in Ghana. The researchers recommend that microfinance institutions and Bank of Ghana must ensure the creation of a culture of transparency and integrity among staff members and clients; and educate clients on their rights and ensure there is a mechanism for whistle-blowing.
Keywords: Fraud, Micro finance institutions, Ghana, Internal control, Audit.

1. Introduction

Micro finance institutions (MFIs) play a significant role at the lower level of the Ghanaian banking credit provision scheme with the aim of reaching and empowering the economically active but poor households in the nation. This role is very strategic as micro businesses are the pivot of economic growth of any nation. In Ghana, Micro, Small and Medium Enterprises (MSMEs) have played a great role and have been a significant provider of employment. According to Abor et al (2010), MSMEs account for 92% of all businesses in Ghana and contribute about 70% of Gross Domestic Product (GDP) of Ghana. The incidence of fraud in the Ghanaian banking environment is prevalent.

Bank frauds seriously threaten the institutional growth of a bank as it leads to bank distress. This is because fraud decreases the deposit of depositors and eventually leads to the erosion of the capital base of banks (Asukwo, 1999). The cost of fraud is also ordinarily problematic to estimate because not all frauds are exposed or even reported since most banks have a proclivity to cover up the frauds originating from their banks all in a bid to continue to gain customers goodwill and stimulate their customers' confidence all the time. Among the consequences of fraud, loss of revenue and loss of customers' confidence top the list (Akinyomi, 2012).

Millions of Ghana Cedis is lost in bank fraud annually in Ghana. Fraud results in financial losses to both the banks and their clients. The end product is insolvency and the loss of public confidence in the banking industry as a whole. The microfinance industry is not immune to the challenges of fraud in banking system. Fraud is perhaps the most lethal of all risk confronting MFIs, because it is in this area that a MFIs stands to lose most (business.myjoyonline.com; CGAP, 2009; Okaro, 2009). Fraud risk has been the least publicly addressed risk in microfinance to date. The importance of fraud risk management in MFIs in Ghana can therefore not be overemphasized.

The study focuses on MFIs in Ghana. An analysis of studies on MFIs in Ghana revealed that few studies have been made in the past to evaluate the effectiveness of fraud risk management in MFIs. The main objective is to evaluate the effectiveness of fraud risk management in MFIs in Ghana; specifically the study seeks to: (i) ascertain the activities designed to pick up potential fraud at the time of occurrence in Ghanaian MFIs, (ii) assess the measures that MFIs in Ghana put in place to manage fraud risks; and (iii) To make policy recommendations to Ghana, other countries and international organisations such as the IMF and the World Bank on how microfinance institutions can manage fraud risk for sustainability and growth.

The remainder of the paper is organized as follows. Section 2 reviews the relevant literature. Section 3 discusses the data and methodology used in the study. The results are presented in Section 4. The paper closes with recommendations and concluding comments.

2. Literature Review

2.1 Term Definitions

Fraud

Fraud is described as an act of deliberate deception with the intention of gaining some benefit, in other words it is the act of dishonestly pretending to be something that one is not (Chamber English Dictionary, 2002). According to Idowu (2009) cited in Akinyomi (2012), Fraud is the deliberate falsification, camouflage, or exclusion of the truth for the purpose of dishonesty/stage management to the financial damage of an individual or an organisation. It is dishonesty or an act of cheating person or business to give up possession or some lawful right (Pollick, 2006).

Further, the Association of Certified Fraud Examiners (1999) defines fraud as the use of one's profession for personal enhancement through the conscious misuse, misapplication or employment of organisational possessions or property. Fadipe-Joseph et al (2012) refers to fraud as any actions by which one person intends to gain deceitful advantage over another.

It is evidence from the various definitions given by various scholars that the word fraud is universal in nature. However, fraud is generally considered to be anything calculated to deceive. This include all deeds, faux pas, and camouflages involving a breach of legal or equitable obligation, trust or evidence justly reposed which result in damage to another or by which gratuitous and conscienceless advantage is taken of another. Fraud is distinctive from any other term that looks like it such as forgery and errors in that, it shows a more affirmative action, evil in nature such as purposefully and knowingly proceeding or acting dishonestly with a wicked motive to cheat or to deceive another (Owolabi, 2010).

Bank fraud

Wikipedia (2008) defines bank fraud as whenever a person knowingly executes, or attempts to execute, a scheme or artifice (i) to defraud a financial institution; or (ii) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by or under the custody or control of, a financial institution, by means of false or fraudulent subterfuges, representations, or promises.

Risk

Following ISO standardised classification, risk is defined as "the effect of uncertainty on (achievement of) objectives" (ISO 2009; en.wikipedia.org). In other words risk is an 'uncertainty of outcome that affects the objectives' that is a two-sided coin, on one side it has threat, and on the other it has opportunity. According to Mbeba (2007) cited in Magali et al (2014) states that risk is the potential that current and future events, expected or unanticipated may have an adverse or harmful impact on the institution's capital, earnings or achievement of its objectives. Risk is intrinsic in MFIs mode of operation for providing financial services. To minimize the risk factor MFIs should link internal control to risk management.

Risk management

The concept "risk management" has attracted various definitions. Risk management refers to a systematic process of identifying and analyzing of risks and selecting the most appropriate method to treat the risk has been acknowledged to minimize losses and at the same time increased profitability (Aris et al, 2009). Risk management is defined as the process intended to safeguard the assets of the company against losses that may hit it in the exercise of its activities, through the use of instruments of various kinds (prevention, retention, insurance, etc.) and in the best cost conditions (Urciuoli and Crenca, 1989). Risk management is a systematic approach to identifying, measuring, monitoring and managing the various risks faced by an institution. In short, risk management is an integral part of a financial institution's strategic decision-making process which ensures that its corporate objectives are consistent with an appropriate risk return trade-off.

Fraud risk management

Fraud risk management refers to activities designed at identifying and developing actions for the business to reduce risks arising from the actual and potential cases of corporate fraud. It includes prevention, detection and response. Fraud detection includes those activities designed to pick up potential fraud at the time of occurrence, an alert, the raising of a red flag or a subsequent review such as the use of data analytic methods (KPMG, 2010).

2.2 Key Risks in Microfinance

All MFIs are exposed to a great number of risks, both internal and external, that threaten effective services to clients, financial stability, and future sustainability. As MFIs grow and become more complex, the need for periodic reviews of risk management systems becomes greater. According to Mbeba et al (2007), the key risks for microfinance are categorized into the following main areas:

Internal Risks

Institutional Risks:

Microfinance success is defined as an independent organisation providing financial services to large numbers of low-income households over the long-term. An evaluation of risks against this definition results in three categories of institutional risk:

i. Social mission risk – the provision of appropriate financial services to the intended clientele

ii. Commercial mission risk – to manage the organisation as a business to allow it to exist for the long term
iii. Dependency risk – continuing need for strategic, financial, and operational support from an external organisation

Operational Risks:

Operational risks are the vulnerabilities that your MFI faces in its daily operations, including concerns over portfolio quality, fraud and theft, all of which can erode the institution's capital and undermine its financial position. Operational includes the following:

a) Credit risk – lending money and not getting it back
b) Fraud risk – intentional deception for personal gain illegal or irregular means
c) Error risk – unintentional errors that create unreliable information and reports, or the loss of assets
d) Security risk – risk of theft or harm to property or person

Financial Management Risks:

a. Asset and liability risk – management of interest rate, liquidity, and foreign exchange. These risks increase and become more complex as the MFI grows, and broadens its range of financial services to include savings.
b. Inefficiency risk – management of costs per unit of output, affected by both cost controls and level of outreach
c. System integrity risk – the integrity of the information systems, whether computerized or manual

External Risks

Although MFIs may have less control over them, MFI management and Board directors must also assess the external risks to which they are exposed. MFIs can have relatively strong management and staff, and adequate systems and controls, but still experience major challenges due to the environment in which it operates. It is essential that these risks are recognized as challenges to be addressed rather than excuses for poor performance.

i. Regulatory risk – awareness of regulations in banking, labour laws, contract enforcement, and other policies that affect MFIs. Some Central Banks prohibit the collection, mobilization and use of client savings unless the MFI is registered and licensed to do so.
ii. Competition risk – familiarity with the services of others to position, price, and sell your services. Competition for staff is also a huge risk.
iii. Demographic risk – assessing characteristics of the target market. This could look at special social issues, including health, aging, and migration. The HIV/AIDS pandemic is a threat to productive middle-aged people, posing risks to the MFI's targeted market and their staff.
iv. Physical environment risk – natural disasters, physical infrastructure. Droughts will also affect the rural poor who are dependent on agriculture or agri-businesses; these natural disasters will not only affect clients and their businesses, but the MFIs that serve them.
v. Macroeconomic risk – currency devaluation and inflation and the effect on both the institution and the clients. A regular interest rate increase of bank loans to MFIs will reduce the margins available to MFIs and force them to cut operating costs. The market or regulatory environment may be too competitive to increase rates, leaving them little choice to do otherwise.
vi. Political/Governmental risk – political instability, civil unrest
vii. Reputation risk – An MFI's image amongst clients in the community it serves is critical to strong repayment and repeat business. Image and reputation in the community does not only come from actual and factual information about the MFI. It is about client perceptions and the satisfaction they feel about the institution, about how they feel they are treated, and whether they value the services provided.

In summary, MFIs risks can be classified into four broad categories. Institutional risks threaten the loss of either the commercial or social mission of the MFIs. Financial management risks include asset/liability management issues. External risks are usually beyond the management of a MFI and include natural and man- made calamities. Operational risks are vulnerabilities faced in daily activities or operations. Such risks include fraud and loan delinquency. These interrelated banking risks are faced by all MFIs. They may be created as a result of inadequate fund allocation, weak labour regulations, mismanagement, an unsuitable operating environment, weak training programmes, bad credit transactions and price fluctuations.

2.3 Fraud and motivations for fraud

Fraud is the intentional distortion of financial statements or other records by persons internal or external to the institution, carried out to conceal the misappropriation of assets or otherwise for gain. Intention is the most significant element which distinguishes fraud from error (Adeyemo, 2012; Adeniji, 2004; Akinyomi, 2012). The so christened fraud triangle explains the reasons why employees commit fraud. These are pressure, opportunity and rationalization or justification. Pressure factors include: (a) Itching palm and greediness (b) Desire to live well; and (c) Unexpected financial needs.

Opportunity factors have to do with providing prospect to commit fraud. The control structure of an organization has an essential bearing on this constituent of the fraud triangle.

Rationalisation is an attempt by the fraudster to explain away her action. For instance the fraudster could plead poor compensation for her action or she could aver that she intended to pay back in due course (Okoye, 2006).

2.4 Sources of fraud

Fraud generally thrives where there is confusion, complex processes, or a high volume of disorganized transactions. The following factors, among others were identified by (Dhitima, 2013; Ogunleye, 2004; Iyiegbuniwe, 1998), as facilitating fraud in the banking sector: (a) Weak corporate governance (b) Poor accounting practices, procedures and policies (c) Lack of client due diligence (d) Weak internal control system, policies and procedures (e) Perverted social values (f) Slow and circuitous judicial process; and (g) Fear of negative publicity.

According to Central Bank of Nigeria (CBN) and National Insurance Deposit Corporation (NDIC) of Nigeria cited in Okafor et al (2013), at the MFIs level, the following additional factors could facilitate fraud: (i) Weak information system (ii) Late compilation of financial reports (iii) High employee turnover (iv) Non standardization of loan products and programmes (v) Loan officers handle cash; and (vi) Poor management of rapid growth.

2.5 Types of fraud

Fraud in MFIs takes many forms and includes the following: (a) Cheque kitting whereby a depositor utilizes the time required for cheques to clear to obtain an unlawful loan without any interest charges (b) Account opening fraud which involves the deposit and subsequent cashing of fraudulent cheques; (c) Cash theft/cash pilferage (d) Collusion in issuance of loans (e) Manipulation of financial data; (f) Inappropriate loan write offs (g) Ghost loans (h) Kickbacks (Akinyomi, 2012)

2.6 Fraud Prevention

The role of board of directors

The quality of leadership provided by the board of directors is a critical factor in fraud prevention and management (Agyemang et al, 2013; Odoko, 2009; Okaro, 2005). The ethical tone of the institution is set by the board of directors. The beliefs of any institution must stress integrity, culture of hard work and merit in appointment and promotion of staff (Suttinee, 2008). The relationship of directors to the company is of a fiduciary nature and a director is bound to observe utmost good faith both in the transaction with the company or on the company's behalf (Section 203(1) of Companies Code 1963, Act 179). Section 250 (1) of Companies Code 1963, Act 179 states that the personal interest of a director shall not conflict with any of his duties as a director (Companies Code 1963, Act 179).

The role of management

The 2010 Securities and Exchange Commission's (SEC) code on corporate governance (Ghana, 2010) outlines the responsibilities of CEO and Management as it relates to fraud prevention as follows: (i) Operating the company in an effective, efficient and ethical manner; (ii) Selecting qualified staff and establishing an effective organizational structure; (iii) Identifying and managing risks undertaken in the course of the companies' business (iv) Ensuring the integrity of the companies' financial reporting system that fairly presents its financial condition to permit investors to understand the business, its financial soundness and risks (v) Avoiding conflicts of interest (vi) Establishing an effective system of internal controls to give reasonable assurance that the companies and records are accurate.

The role of good internal control system, policies and procedures

Internal control system refers to all the policies and procedures adopted by the managers of an organization to help ensure, as far as is practical, the orderly and efficient conduct of its business (MEDA and MicroSave, 2007; CGAP, 2009). The internal control system extends beyond matters relating directly to the accounting system and comprises the control environment and control procedures (Lehman, 2000). The essence of internal controls, policies and procedures are to manage risks before they happen (preventative control) and measure to what extent the risk has occurred (detective control). For internal audit and a system of internal controls, policies and procedures to be effective, the following elements must be effective: (a) Stated mission and core values (b) Strong Board leadership and commitment towards the mission, and to control systems (c) Honest and capable employees (d) Conducive environment (e) Sound methodology (f) Accountability and transparency (g) Security (h) Performance and efficiency (i) Clear delegation and segregation of duties (j) Reliable management information system (k) Proper procedures for processing transactions (l)Adequate accounting records (m) Adequate physical controls over assets and records (n) Independent verification of performance.

The role of internal and external audit

Internal Audit has been described as an independent objective activity designed to add value and improve an organisations operations. It supports an organization accomplish its objectives by bringing a systematic disciplined approach to assess and improve the effectiveness of risk management control and governance process (www.theiia.org). Internal Audit evaluates the adequacy of internal controls and how well risks are being managed. Internal audit has been described as an independent, objective, assurance and consulting activity designed to add value and improve an organisations operations. It helps an organization accomplish its

objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes (Cristina, 2008; Lehman, 2000).
Internal auditors should have sufficient knowledge of fraud to be able to identify the indicators that fraud might have occurred. If significant control weaknesses are detected, additional tests conducted by internal auditors should include tests directed toward the identification of other indicators of fraud (MEDA and MicroSave, 2007).
The internal audit must be independent in the exercise of his function. The internal audit function must be independent of the activities being audited and must also be independent from every day processes. It must have the freedom to report its findings and appraisals. It must also be free to choose its own programmes. It is vitally important that the report of the internal auditor is acted upon by the appropriate authorities and should not be allowed to gather dust.
External audit is a formal and independent review of an institution's financial statements, records, transactions and operations and is usually performed by professional accountants who attest to the true and fair view of the statements presented by the client organization. External auditors also examine the internal control systems of their clients and issue management letters accordingly (CGAP, 1999).
The role of Bank of Ghana
The Bank of Ghana's (BOG) is responsible for bank regulation in Ghana. The BOG's regulatory and supervisory responsibility is accomplished through such mechanisms as on sight and off sight supervision of banks including MFIs (www.bog.gov.gh). Sometimes special investigation is also conducted in the affairs of a bank if circumstances permit it. Regulators usually ensure that proper policies and procedures are put in place by MFIs in order to minimize fraud.
2.7 "Red Flag" Behaviours' of occupational fraud perpetrators
Fraudsters are known to exhibit certain behavioural traits. According to ACFE's ***2012 Report to the Nations on Occupational Fraud & Abuse (www.acfe.com/rttn)***, the most common behavioural red flags displayed by fraud perpetrators include: (a) Living beyond one's means (b) Experiencing financial difficulties (c) Unusually close association with vendor/customer (d) Control issues; unwillingness to share duties (e) "Wheeler-dealer" attitude (f) Divorce/family problems (g) Irritability, suspiciousness or defensiveness (h) Addiction problems (i) Refusal to take vacations.
With regards to fraud prevention strategies in MFIs, it will gyrate around the following: (a) Excellent loan quality (b) Human resource policies that emphasize culture of excellence reward for hard work and fairness in the treatment of employees (c) Institutional culture that extol integrity and zero tolerance for fraud (d) Education of MFIs customers in fraud consciousness (e) Credit committee effectiveness (f) Adequate internal control and segregation of duties especially in areas of cash handling, loan write offs and rescheduling (h) Efficient office management; and (i) Benign external environment

3. Research Methodology

The methodology adopted for this study is the literature review. A research literature review, as a process, is a systematic, explicit, and reproducible method for identifying, evaluating and synthesizing the existing body of completed and recorded work produced by researchers, scholars and practitioners (Fink, 2010). As a noun, literature review is an organised critical account of information that has been published on a specific topic, (for example, MSME access to credit) and provides an organised synthesis of the information, ideas and knowledge. Practical contacts with chief executives officers of MFIs assisted also in the study.
Thus, content analysis of other research work was adopted. This method was adopted because time would not permit the use of questionnaire which ordinarily has to be administered to a sizeable number of micro finance institutions across the country. However, reviewing related works by other researchers gave a deeper insight to the researchers which enabled us to draw reasonable conclusion.

4. Results and Discussions

In spite of the multifarious institutions involved in fraud management as identified above the incidence of fraud in the Ghanaian banking system like an aching thumb has remained intractable. For example in 2013, incidents of MFIs closing down and bolting with depositors savings have been reported in most parts of the country, with a good number of them going into liquidity challenges and others folding up as a result of corruption and fraud in the micro finance subsector in particular and banking sector in general, with clients of such firms losing their money within the period (www.business.myjoyonline.com). According to National Chairman of the Ghana Association of Microfinance Companies (GAMC), Collins Amponsah-Mensah, liquidity challenges of MFIs in Ghana show that corruption and fraud in the MFIs industry subsector have included a range of unlawful and unethical practices. These include granting of unauthorized loans, the posting of fictitious credits, fraudulent transfers or withdrawals and unashamed financial theft (www.ghanaweb.com). When fraud occurs in a bank, many participants are adversely affected. These include the institution itself, the savers of the bank, its employees that face uncertain future. The national economy is also hurt as the loss of confidence slows

investment and consequently economic growth and development. Fraud results in misallocation of resources.
The following fraud prevention checklist proposed by (ACFE;(www.acfe.org); Dhitima, 2013; MEDA and MicroSave, 2007; Akinyomi, 2012; Okafor et al, 2013) if applied by MFIs will go a long way in identifying and thwarting fraud in micro finance subsector in Ghana: (i) Provision of anti-fraud training to personnel on an ongoing basis (ii) Empanelling of effective fraud reporting mechanism (iii) Entrenching an atmosphere of zero tolerance for fraud and an atmosphere of trust so that employees can feel safe to report suspicious circumstances to management (iv) A management climate at the top which emphasize and live honesty and integrity (v) Performance of fraud risk assessment to proactively identify and mitigate the banks vulnerabilities to fraud (vi) Proper segregation of duties (vii) Use of authorisations (vii) Physical safeguard of assets (ix) Job rotations (x) Mandatory vacations (xi) Presence of internal audit department with adequate resources and authority to operate effectively and without undue influence from senior management (xii) Hiring policy that verifies the employee past employment, references and qualifications (xiii) Open door policies that allow employees and even customers to speak freely about pressures which management can help them alleviate (xiv) Anonymous surveys to assess employee morale.
It behooves the management of MFIs in Ghana to watch out for significant behavioural traits in its employees which will facilitate early detection of fraud. Of particular importance in this regard are situations where an employee is perceived to be living beyond his means, hobnobbing with clients or facing severe financial difficulties (CGAP, 2009). These three situations dominate the number of cases reported. It should, however, be noted that on their own behavioural red flags do not prove that an individual is engaged in a fraud, but they should raise warning signals to the individual co- employees and management as well as the MFIs internal audit staff. When these red flags exist alongside other indicators of misconduct, this can be a strong clue that something is wrong [www.acfe.org.rttn).
The BOG guidelines (www.bog.gov.gh) on MFIs in Ghana require every MFI in Ghana to have an internal audit department which should ensure that the operations of the institution conform to the law as well as to its internal rules and regulations. It is also compulsorily required that every fraud or attempted fraud should be reported to BOG. It would, however, appear that the internal audit function in MFIs in Ghana lives much to be desired. Such function appears to lack competent and well-motivated staff because of poor remuneration in this subsector of the financial industry. It would also appear that the internal audit staff of MFIs in Ghana does not have unfettered freedom and independence to do their work.
The BOG requires that each MFIs should appoint an auditor approved by it to make a report to the shareholders on the annual financial statements of the institution and every such report shall contain true and fair statements and such other information as may be prescribed from time to time by BOG its directives/rules. Additionally, the approved auditor shall also forward to the BOG two (2) copies of domestic report on the activities of the MFIs not later than three (3) months after the end of the year of such MFIs.
However, the external audit function has come under heavy criticism for failures especially failures to detect fraud in institutions. Such monumental frauds have often led to the demise of the institutions concerned. For instance, researchers have accused auditors of anti-social behaviour in their pursuit of profit which has often result in shoddy auditing with dire consequences for client organisations (Okafor et al, 2013; Keretu et al; 201). According to CGAP (1999), external auditors believe that their major responsibility is not to discover fraud in the course of an audit but to express an opinion on the truth and fairness of the state of affairs of an institution at a point in time and as portrayed by its financial statements. However, many stakeholders are of the view that an auditor should vigorously seek out fraud. This has led to what is termed audit expectation gap whereby what auditors believe is their role in respect of financial statement fraud is at variance with what the stakeholders believe should be their role (Agyei et al, 2013; Onumah et al; 2009; www.thechronicle.com.gh; Rostami et al; 2009). However, here are instances where high expectations of the stakeholders are reasonable but auditors fail to live to expectation. This is the so-called performance gap. Many reasons have been attributed to this distasteful state of affairs on the side of the auditors. These comprise lack of professional skepticism, greed, lack of independence and even complete incompetence. This has led to strident calls for audit reforms in order to improve audit quality. Some of the recommendations include restriction of auditors from providing certain non-auditing services to their audit clients (Agyei et al, 2013; Onumah et al; 2009; www.thechronicle.com.gh; Rostami et al; 2009) and compulsory rotation of auditors (www.bog.gov.gh; Okafor et al, 2013; www.thechronicle.com.gh). In 2011, the BOG introduced mandatory rotation of bank auditors every five (5) years and also imposed restrictions on the type of non- auditing services that bank auditors should provide their audit clients (www.bog.v.gh). The BOG, whose mandate under the Banking Act 2004 (Act 673) `is to ensure effective administration, supervision, regulation, monitoring and control of the business of banking to protect the banking industry and bank customers, is drawing its authority from the law to limit the mandate of external auditors to five years to keep up with internationally acceptable financial reporting standards. It is hoped that this will in no distant time improve the quality of external audit especially as regards fraud detection in banks.

UK's Public Concern At Work, a whistleblowing centre defines whistleblowing as "raising concerns about misconduct within an organisation or within an independent structure associated with it." It can also be defined as the expression of concern by one member of an organization about the conduct or ability of another member of the same organization or even about the activity of the organization itself (Nader, 2013; Attafuah, 2010). Whistle blowing is far from a trivial nuisance for targeted firms, and on average, appears to be a useful mechanism for uncovering agency issues (Ghana Anti-corruption Coalition, 2010). According to Nadler and Schulman (2006), whistle blowing hotlines are essential in implementing ethically responsible corporate governance and for addressing the issue of fraud. Therefore, there is urgent need to install whistle blowing programme by each MFIs in Ghana. However, such policy should, as a minimum ensure inconspicuousness for the whistle blower and also protect his/her job if a member of staff. Such a policy should also consider instituting reward for the whistle blower (Agyare et al; 2014; Howse & Daniels, 1995). A whistle blowing policy at the macro- economic level as entrenched in the laws of the country through passage in 2006 of Whistle Blowers Act (Act 720), when properly enforced and fully implemented will have a salutary effect on fraud control at the micro finance subsector.

Forensic accounting has been defined as the practice of utilizing accounting, auditing and investigative skill to assist in legal matter and the application of specialized body of knowledge to the evidence of economic transaction and reporting suitable for the purpose of establishing accountability or valuation of administrative proceeding (Renick, 2007; Weaver, 2010). Forensic accounting is the integration of accounting, auditing and investigative skill to obtain a particular result (Zysman, 2011).

There is a enthralling need to introduce forensic accounting in the MFIs subsector in Ghana for the following reasons among others: (a) the ubiquitous atmosphere of fraud in the Ghanaian macro environment which has rubbed off negatively on MFIs (b) failure of both internal and external audit to identify many of the frauds damaging the banking industry (c) the limitations of the traditional audit process to detect fraud (d) the Ghanaian cultural environment that extols easy wealth thus providing fertile ground for unorthodox means of acquiring money; and (e) the relative superiority of the forensic accounting model for fraud detection

It is recommended that MFIs in Ghana should engage the services of Forensic accountants at certain intervals (e.g. every 3 years) due to cost considerations.

That Ghana has its fair share of corruption and fraud at the governmental and macroeconomic level is no longer news. Few examples will suffice. The 2007 report of the Auditor-General of the nation revealed disturbing trends bordering on poor culture of accountability in the management of the nation's public finance. Some of the irregularities highlighted include: (i) Non-compliance with record keeping rules (ii) Over invoicing (iii) Non-retirement of cash advances (iv) Lack of audit inspection (v) Payments for jobs not done (vi) Double debiting (vii) Contract inflation (viii) Lack of receipts to bark up purchases made (ix) Flagrant violation of financial regulations; and (x) Release of money without approval from approving authorities (Audit Reports, 2012; 2011).

More recently, the Public Accounts Committee of the Parliament of Ghana's report to the house recommended that certain individuals cited for unhealthy cash management practices which resulted in the failure to pay revenue collected into the Consolidated Fund, tax irregularities and unauthorized payments, as well as non-availability of adequate records by the Auditor-General Reports (www.ghaudit.org) should be prosecuted to serve as deterrent to future offenders (www.spyghana.com; graphic.com.gh; www.modernghana.com). The Supreme Court of the Republic of Ghana in the Case of Martin Amidu (former Attorney-General and Minister of Justice) versus Waterville, Isofoton and Others ruled that monumental sums of money paid to them be refunded to the Government of Ghana (www.myjoyonline.com; citifmonline.net).

That the flurry of abuses in financial management in the public has ostensibly not abated is an indication that the anti- corruption agencies like Economic and Organised Crime Office (EOCO), Commission on Human Rights and Administrative Justice (CHRAJ), Financial Intelligence Centre (FIC) etc and the due process mechanism still need to do a lot of work. Without a sound ethical tone at the macroeconomic level, the task of stemming the tide of fraud at the micro finance subsector level will remain a titanic task.

As fraud perpetrators get more and more erudite in their despicable activities, more and more anti- fraud detection techniques are also being developed in tandem to fight the menace which has assumed a global dimension. The tools (Adesola, 2008; Abiola, 2013) described here should be of help particularly to internal and external auditors of MFIs. These tools include:

a) Excel and MS Access. This goes well for simple audits like cash recovery
b) Audit Command Language (ACL). The beauty of this tool is that it lends itself to 100% sampling and continuous auditing
c) Straight- through Processing (STP). This is a fraud preventive tool available particularly for internal audit use. STP concept is designed in such a way that once an action is initiated, the system is designed with embedded work flow. All necessary entries are raised without human interventions until it hits the general ledger.
d) Risk Monitoring Systems. This is also another computer aided approach to detection and fighting frauds

its objectives are mainly preventive. This approach can be implemented at any segment of the economy to fight and prevent fraud. This approach is mostly analytical and is called Data Mining in some instances.

e) Biometrics. Identity fraud can be detected by the use of biometrics. This is a fool proof and fast method of verification using finger print technology.

5. Recommendations

In sum, the following fraud prevention strategies should be adopted by MFIs: a) Excellent loan quality b) Human resource policies that stress culture of excellence remuneration for hard work and fairness in the treatment of personnel c) Institutional culture that eulogise integrity and zero tolerance for fraud. d) Education of MFIs clients in fraud consciousness e) Credit committee effectiveness f) Adequate internal control and segregation of duties especially in areas of cash handling, loan write offs and rescheduling g) Efficient office management h) Efficient internal and external audit function and a benevolent macro- economic environment; and i) Efficient and effective regulatory and anti- corruption institutions at the macro level.

In the peculiar circumstances of Ghana, we have recommended additionally the introduction of forensic accounting and enforcement and full implementation of whistle blowing Act 2006 (Act 720) to protect whistle blowers.

6. Conclusion

In this paper, we have traced the development of fraud risk management mechanisms in MFIs in Ghana. We showed how MFIs can succeed in combating fraud in a more effective way than formal financial sector by devising innovative strategies, such as introduction of forensic accounting and enforcement and full implementation of the provisions of the Whistle Blowers Act. In addition, we showed how literature regarding the better fraud risk management approaches in MFI, offering individual fraud risk management techniques is divergent between judgemental and statistical assessment approaches. More research can be done in this area.

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