

<b>Case Study 1</b>	<b>Unsupported expenses</b>
<b>Case outline</b>	
<p>You are the Finance Director of an organisation. You become concerned that the Chief Executive is making frequent overseas trips and charging the expense to the organisation. The relevance of the destinations and the nature of the activities undertaken appear to have only partial relevance to your organisation's activities.</p> <p>You raise your concerns with the Chief Executive, who gives assurances that the nature and purpose of these trips is covered by an 'understanding' with the organisation's Chairman. This is not evidenced in writing, and no further justification for the expenses is forthcoming.</p>	
<b>Key fundamental principles</b>	
<p><b>Integrity</b> – Would processing the payments without adequate explanation be seen as being honest and fair by others?</p> <p><b>Objectivity</b> – How will you be able to demonstrate your independence*, actual or perceived, from the Chief Executive?</p> <p><b>Professional Competence and Due Care</b> - How can allowing the expense payments to be processed without adequate explanation be seen as acting with due skill, care and diligence?</p> <p><b>Professional Behaviour</b> - How should you proceed so as not to discredit yourself?</p>	
<b>Discussion</b>	
<p>Identify relevant facts: Consider the business' policies, procedures and guidelines, accounting standards, best practices, code of ethics, applicable laws and regulations. Is it possible to obtain details or documentation of the "understanding" between the Chief Executive and the Chairman? Have you discussed the matter directly with the Chief Executive and /or Chairman to ensure you have the real facts?</p> <p>Identify affected parties: Key affected parties are you, the Chief Executive and the Board. Other possible affected parties are the expense processing department, human resources, internal audit, tax department, Audit committee*, employees, shareholders and financial backers.</p> <p>Who should be involved in resolution: Consider not just who should be involved, but also for what reason and timing of their involvement. Have you thought of contacting the Institute for advice and guidance? Do you have trusted colleagues with whom you can discuss your position? At what point will you consider involving the Board and the Audit committee*?</p>	
<b>Possible course of action</b>	
<p>Discuss the issue further with the Chief Executive and ask for details of the trip or documentary evidence of this "understanding" between the Chief Executive and the Chairman. During this discussion, explain to the Chief Executive the reasons why</p>	

*this information is needed, for example, to conform with the organisation's policies, procedures and guidelines. Explain to the Chief Executive that it may be necessary to ensure that the contentious items are included in a P11D, and argued as a deductible expense with the Revenue. If the Chief Executive will not provide the necessary information, explain that the matter will have to be discussed with the Chairman, and you will set up a meeting with all three of you.*

*If no satisfactory response is obtained from the Chief Executive and the Chairman, next steps could include discussion with the Board, internal audit, Audit committee\* and external auditors.*

*During the resolution process, it may be helpful to document your involvement, the substance of the discussions held, who else was involved, what decisions were made and why.*