

Good Governance on Non-Profit Organisations

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Non-Profit Organisations

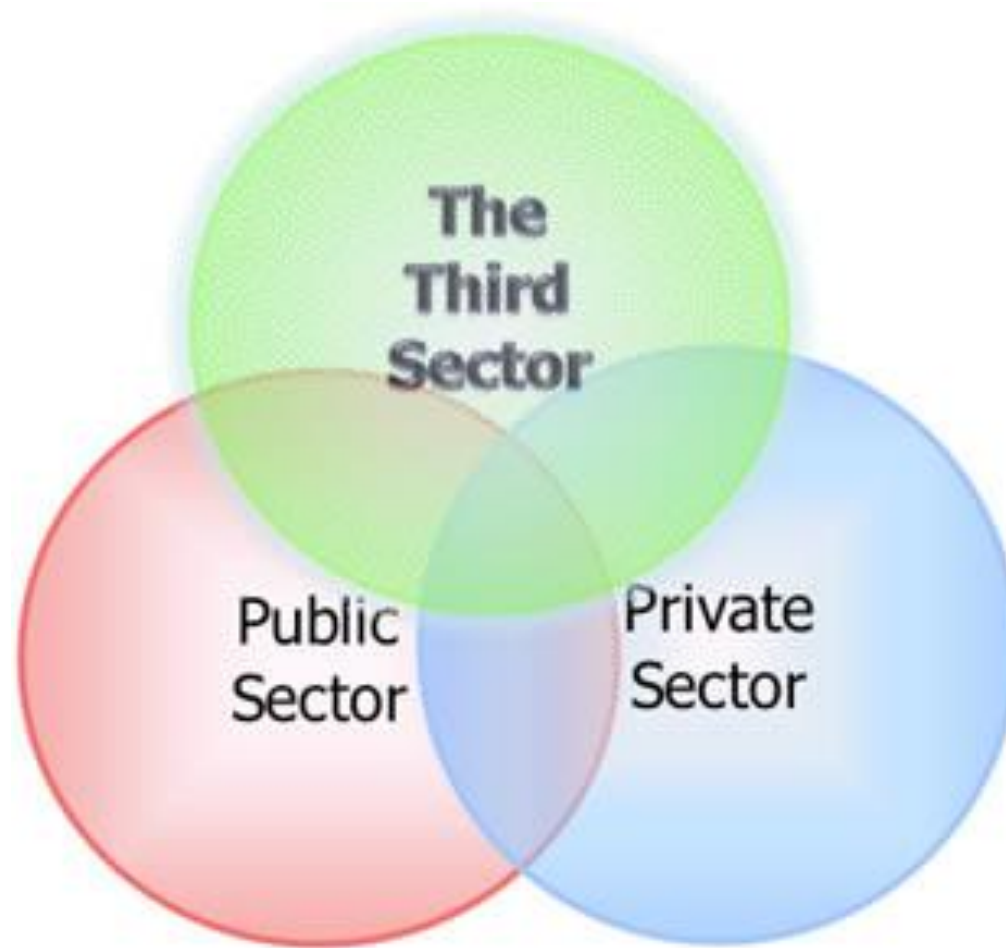
Prospects & Opportunities

Non-Profit Organisations (NPO)

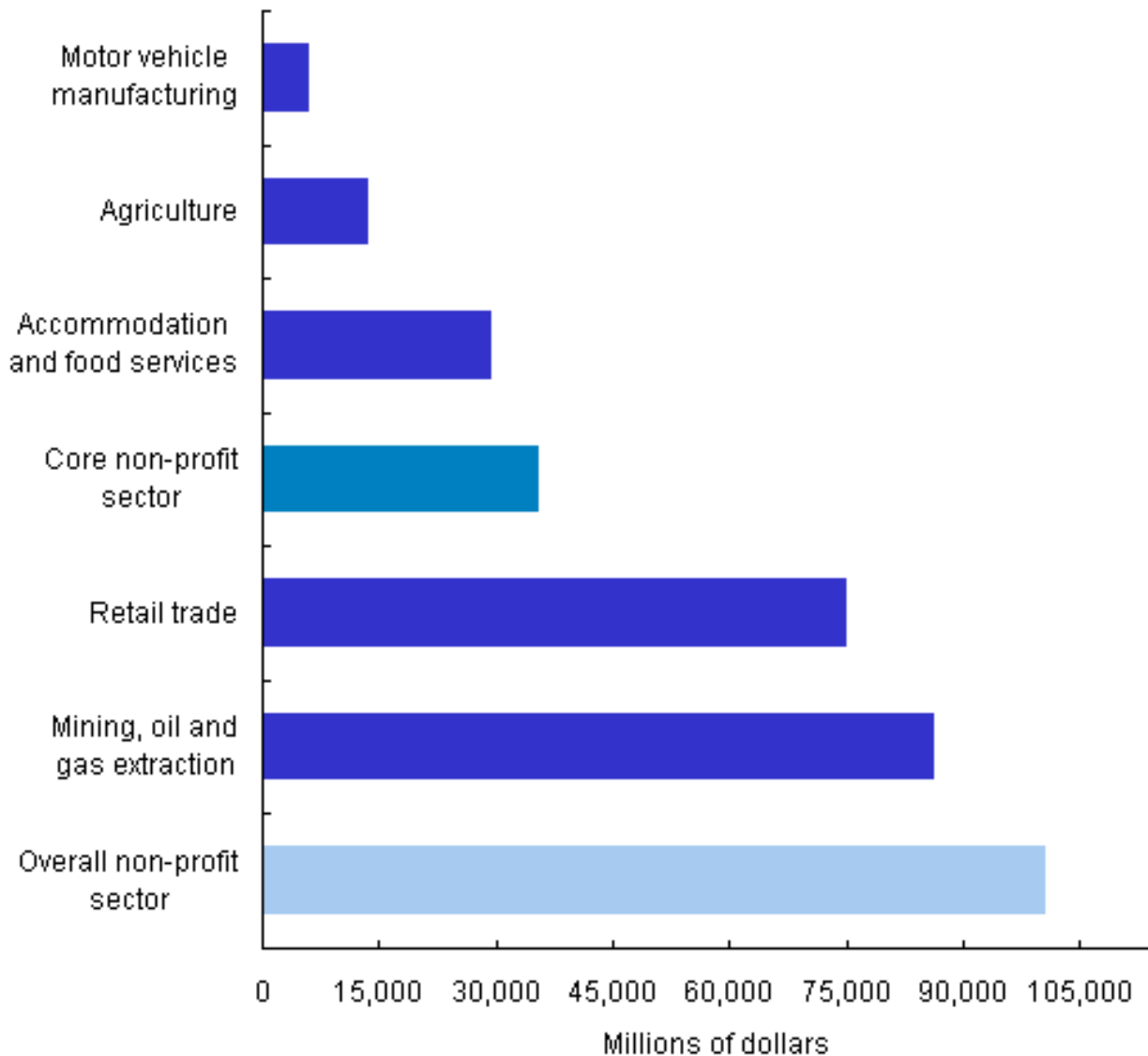
Also known as:

- Voluntary sector
- Community sector
- Social sector
- Civic sector
- Civil society organisations
- **Third sector**

NPO – **Third**Sector



NPO Sector (www.statcan.gc.ca)

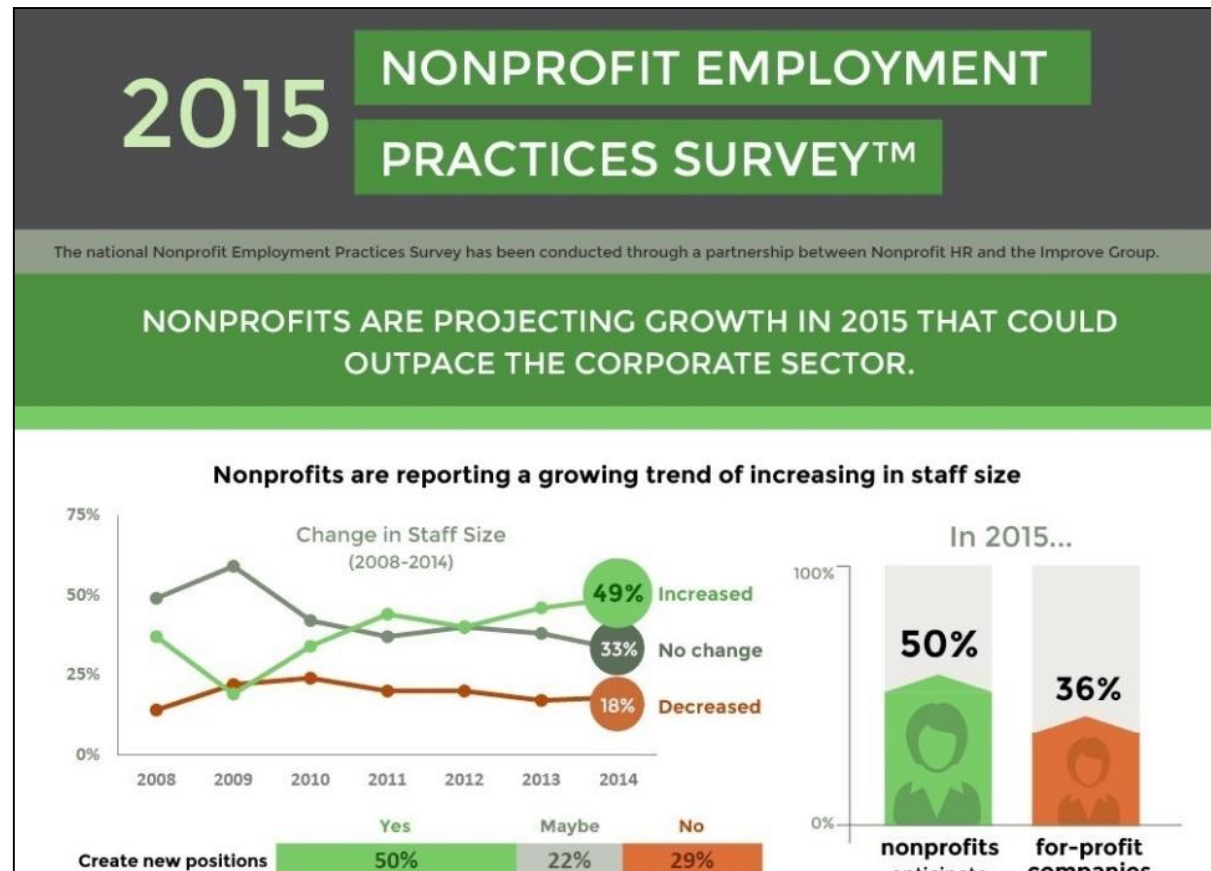


The Third Sector

The third sector refers to the part of the economy where the purpose of its existence is to benefit the society and its activities are mostly funded by charitable gifts or government incentives.

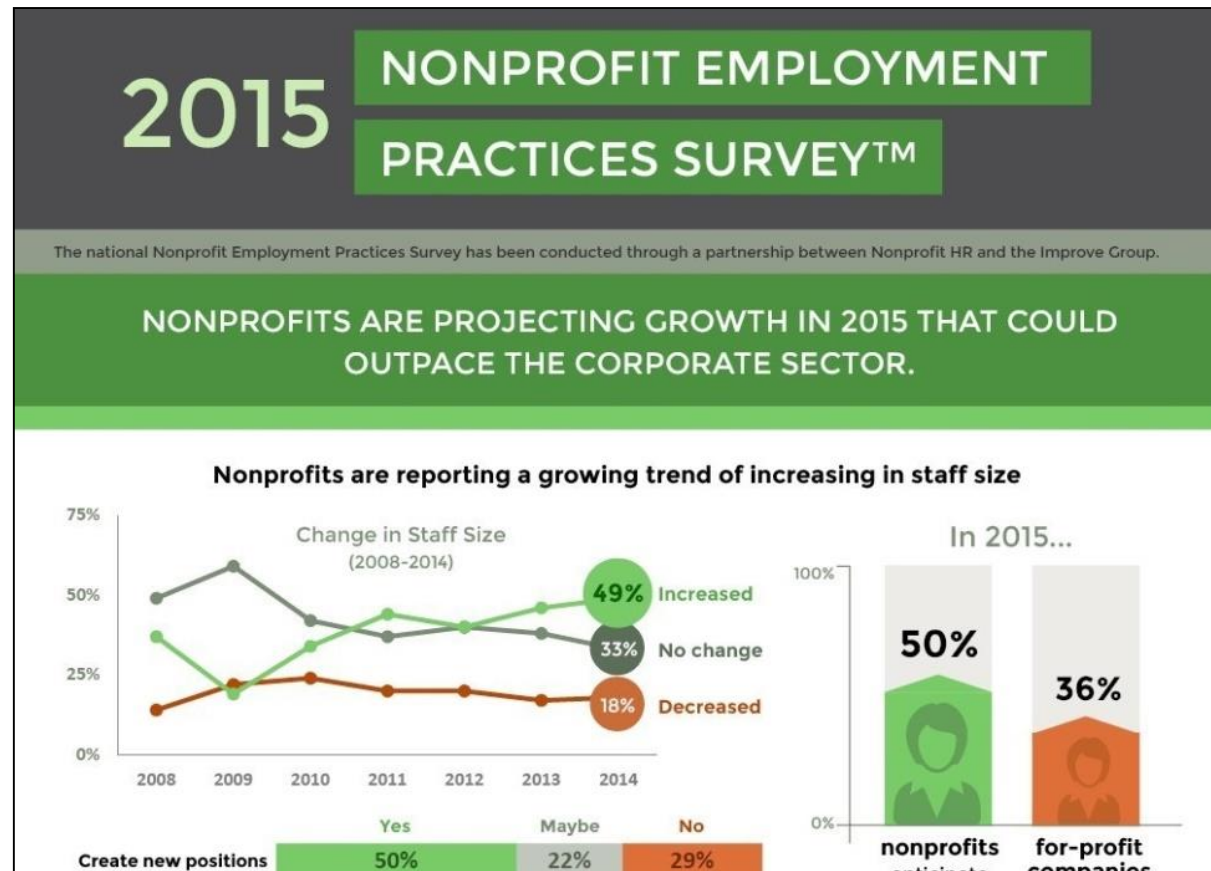
NPO's Contributions

1. Non-profit organizations are a steady source of employment



NPO's Contributions

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NPO's Contributions

2. Non-profit organizations, like any other business, consume third-party goods and services in their day-to-day operations.



NPO's Contributions

3. By providing employees with a source of income, NPOs indirectly stimulate endless other facets of the economy



Non-Profit Organisations

Challenges/Issues

Non Profits' Three Greatest Challenges

1. Finding the MONEY
2. Finding people to take on core leadership responsibilities
3. Publicity

Common Misuse of NPOs

- Misuse of funding
- Misuse of assets
- Misuse of name and status

Misuse of the Notion of Charitable Status

- Legally incorporated;
- Apply for tax-exempt status as a charity or other type of NPO;
- Undertake fundraising activities or establish businesses;
- Open domestic bank accounts into which proceeds and donations are deposited; and
- Transfer funds to overseas financial institutions, diverting all or some of the funds to terrorist activity.

Beware!!!

100% to Charity? We Think Not!

[Car Donation : 800charitycars.org](http://800charitycars.org) Donate Car and Charity Cars

Car Donations : 100% goes to charity. The original charity car donation program, 800charitycars.org. Donate a vehicle and get the full retail value ...

www.800charitycars.org/ - 8k - [Cached](#) - [Similar pages](#) - [Note this](#)

Chief Executive : Brian Menzies, President

Compensation*: \$296,022

Total income	\$8,733,602
Program expenses	\$4,230,374
Fund raising expenses	1,850,892
Administrative expenses	370,760



How Much Actually Goes To Helping Others? \$1,411,142

Tips to Avoid Charity Scams



1. Do not give cash
2. Do not give to unknown organizations
3. Request material be sent in writing

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www.MAXIMUMgenerosity.org



AMLATFPUAA

- ✓ Money laundering
- ✓ Terrorism financing
- ✓ Proceeds of unlawful activities



LAWS OF MALAYSIA

Act 613

Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001

Date of Royal Assent

25-Jun-2001

Date of publication in the *Gazette*

5-Jul-2001

An Act to provide for the offence of money laundering, the measures to be taken for the prevention of money laundering and terrorism financing offences and to provide for the forfeiture of property involved in or derived from money laundering and terrorism financing offences, as well as terrorist property, proceeds of an unlawful activity and instrumentalities of an offence, and for matters incidental thereto and connected therewith.

Act A1467.

AMLATFAPUAA 2001 – Main Objectives

1. Provide for the offence of money laundering (ML)
2. Measures to be taken for the prevention of ML & TF offences
- 3. Provide for forfeiture of property and property derived from ML and TF offences**

Money Laundering

- Money laundering is the process by which the **proceeds of the crime**, and the true ownership of those proceeds, are **concealed** or made opaque so that the proceeds **appear** to come from a **legitimate source**.

Money Laundering

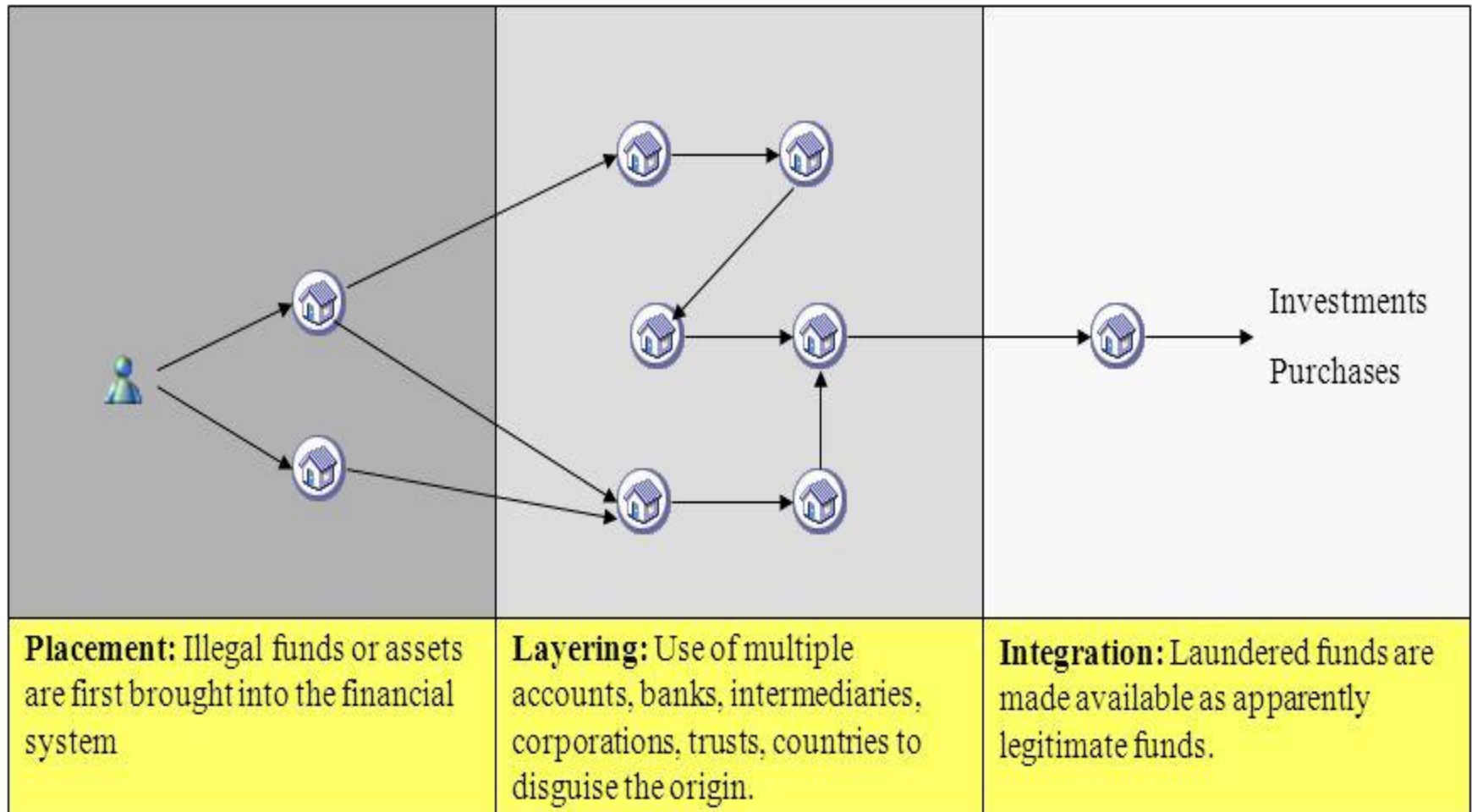
Money laundering generally refers to 'washing' of the proceeds or profits generated from, for example:

- (i) Drug trafficking
- (ii) People smuggling
- (iii) Arms, antique, gold smuggling
- (iv) Prostitution rings
- (v) Financial frauds
- (vi) Corruption, or
- (vii) Illegal sale of wild life products and other specified predicate offences

Please refer full listing in AMLATFPUAA



Money Laundering is the process by which illegal funds and assets are converted into legitimate funds and assets.



***Important:** All money laundering transactions need not go through this three-stage process.*



**Serious
Offences**



**Dirty
Money**



**Clean
Money**



A TYPICAL MONEY LAUNDERING SCHEME

Collection of dirty Money



1. PLACEMENT



Dirty Money Integrates
into the financial System



Wire
Transfer

2. LAYERING



Transfer funds between various
Offshore / Onshore Banks

3. INTEGRATION



Purchase of Luxury Assets
Financial Investments
Commercial / Industrial Investments



AIC Case Study (England)

Charity organisation
legally registered and
obtained tax exempt status

VCD haram, cetak rompak
Illegal betting, drugs



Illegal family
businesses



Set up a charity of a specified
religious community
managed by a family
members

F/S shows relatively
small amounts of money
being generated

\$5 million in charity
Account & family
members
acting as charity
trustees



proceeds of their tax
evasion
to fund their lifestyle



ЕВРАЗИЙСКАЯ ГРУППА
по противодействию легализации преступных доходов
и финансированию терроризма

EURASIAN GROUP
on combating money laundering
and financing of terrorism

WGTP (2012) 7

30 - October - 2012
English – Or. Russian

For Official Use

17th EAG PLENARY MEETING

November 5 – 9, 2012

India, New-Delhi



MISUSE OF NON-PROFIT ORGANIZATIONS
FOR MONEY LAUNDERING

Suspicious Activity Indicators of NPOs

Suspicious Activity Risk Indicators

- Transactions are inconsistent with the statutory goals of NPO activity
- Funding from abroad;
- Lack of information on NPOs activities in publicly available sources;
- Abnormally intensive activities of NPOs, in terms of both frequency and amounts of transactions;
- NPOs founders and (or) managers are young people;
- NPOs founders are foreign nationals

Suspicious Activity Risk Indicators

- Individuals holding multiple positions within the organization;
- Use of numerous bank accounts for no logical purpose;
- Use of multiple accounts to collect funds that are transferred to the same foreign beneficiaries;
- Repetitive money movement between other related NPOs;
- Circular movement of funds designed to convolute the paper trail;
- No effort to implement effective internal controls;
- No small denomination donors.

NPO Best Practices

- Ensure no conflict of interest
- Sound financial management
- Proper internal financial control
- Conduct risk-based assessment of NPO
- Proper recording of transaction
- International accreditation
- Observe legal requirements

Good Governance Practices

- Performing duties in an honest manner
- Ensure that the objectives of NPO are achieved
- Continuous enhancement of knowledge and competency
- Do not abuse NPO for personal interests
- Regular and responsible reporting system

Legal Requirements (TIA)

Liability of trustees:

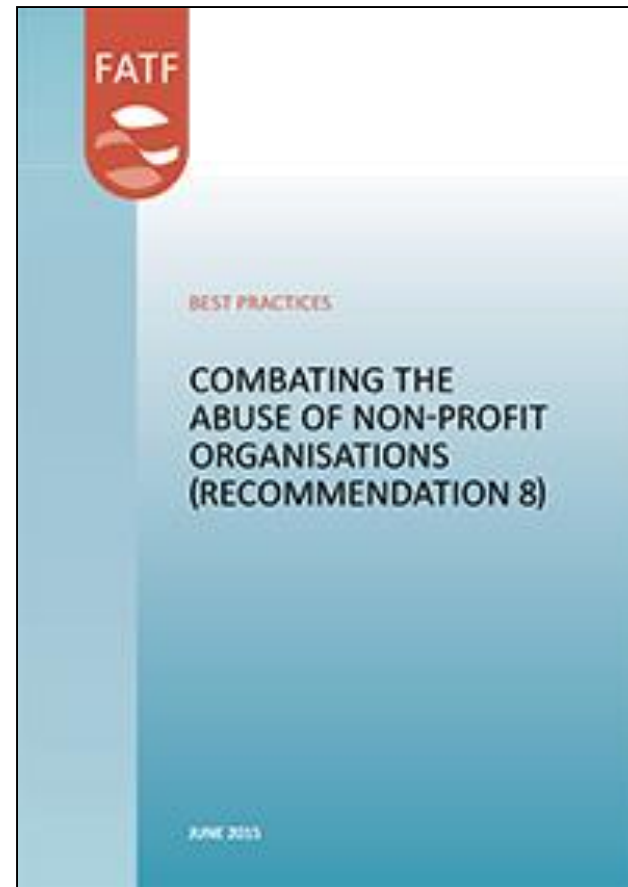
- ...all trustees shall be chargeable for such property ...
- ...and shall be answerable and accountable for their own act...

Trustees to Keep Proper Accounts

- Account of gross income from any endowment
- Account of all balances in hand and moneys received during the year
- Account of all payments
- Account of all moneys owing to/from NPOs

Financial Action Task Force FATF

Towards NPO Self Governance



I applaud YOU for taking this initiative to learn more about money laundering offences & how to mitigate them

Thank You

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ARI Blogspot: <http://accounting-research-institute.blogspot.com>