



*Alalay Sa Kaunlaran Microfinance Social Development, Inc.*

# **PREVENTING *FRAUD* AND REBUILDING CLIENT TRUST**

*Insights and Practices from ASKI*



**JULY 31, 2025**

**MCPI ANNUAL CONFERENCE | CENTURY PARK HOTEL**



# WHO WE ARE

## ASKI AT A GLANCE

### Established in 1987

ASKI is a trusted microfinance institution with 37 years of service to grassroots communities



### It operates through

#### 73 branches

strategically located across 11 provinces in Central and Northern Luzon



### Delivering services directly to over 100,000

#### active clients

many of whom reside in remote and rural communities.



### Beyond microfinance

ASKI provides comprehensive support services such as value chain development, capacity-building trainings, enterprise development programs, and financial literacy education.



### Remains deeply committed to financial inclusion

empowering clients and helping build resilient, sustainable communities by serving the unbanked and underserved populations.





# **FRAUD INCIDENTS IN ASKI –*Fraud* by Employees**

## **1. NON-REMITTANCE OF LOAN COLLECTIONS**

### **THRU:**

- Tampering of service invoice
- Non-issuance ng service invoice
- Receiving payment from personal Gcash account
- Borrowing of cash or clients' products

## **2. WINDOW DRESSING**

### **THRU:**

- Advance interest crediting to increase income
- Unauthorized reversal of clients' savings from one account to another to cover up PAR
- Unauthorized restructuring of past due accounts to conceal PAR



# **FRAUD** INCIDENTS IN ASKI –*Fraud* by clients

Misleading purpose,  
income or identity,

Loan Sharing

Diversion of loan  
proceeds other than  
the applied use

Unauthorized use of  
collections in case of  
group accounts



# STRATEGIES TO PREVENT **FRAUD**

## STRATEGY 1

### Ethical Culture & Training

Regular staff training on internal control, **fraud** awareness, and organizational values

## STRATEGY 3

### Internal Audit & Surprise Checks

Frequent field audits and portfolio verifications.

## STRATEGY 2

### Data Analytics for Red Flags

- Use MIS to flag:
- Unusual restructuring activity
- Frequent reversals or interest adjustments

## STRATEGY 4

### Client Empowerment

- Educate clients about their rights and the official payment process.
- Use of hotlines “Komento Mo Itext Mo”

## STRATEGY 5

### Strict HR Policies

- Rotation of field staff to avoid collusion.
- Background checks and integrity screening during hiring.



# **STRATEGIES TO PREVENT *FRAUD***

## **STRONG INTERNAL CONTROL SYSTEM**

- ✓ shield the innocent from suspicion
- ✓ protect the weak from temptation
- ✓ prevent the clever from opportunity

- These are honest employees and clients who follow rules and do their jobs with integrity.
- Without clear controls, honest people might be wrongly suspected or blamed when something goes wrong—especially in cases of fraud or mismanagement

## Innocent



- These are employees or clients who may be tempted to commit small frauds due to financial pressure, lack of supervision, or low awareness of consequences. Strong controls help prevent them from being placed in situations where temptation is high—like handling cash alone or working without accountability.

## Weak



- These are individuals who may be smart, manipulative, or highly skilled—and might exploit weak systems for personal gain. A clever person with no checks and balances may find loopholes, falsify records, or cover their tracks easily. Internal controls close these gaps.

## Clever



# RESTORING CLIENTS TRUST AFTER THE INCIDENTS OF FRAUD

01

## **Practice Full Transparency and Honest Communication**

Clearly communicate the **fraud** incident to affected clients to reinforce accountability.

02

## **Ensure Prompt and Accurate Rectification**

Guarantee correcting entries are accurate; no client financial loss incurred.

03

## **Acknowledge and Take Responsibility**

Publicly acknowledge the incident to restore trust and reassure clients.

04

## **Take Swift and Decisive Action**

Implement corrective measures and sanctions immediately; provide compensation if applicable.

05

## **Reconnect with Clients through Community Engagement**

Use visits, town halls, and group discussions to listen and update clients.

06

## **Conduct Values-Oriented Seminars and Financial Literacy Sessions**

Educate clients on values, **fraud** awareness, and their rights.

07

## **Provide Regular Updates and Progress Reports**

Keep clients informed on improvements and commitment to trust-building.



# ONGOING **FRAUD** – RELATED CHALLENGES

**Fraud** continues to occur from time to time—often through similar methods, but committed by different individuals. As a component of credit **risk**, it cannot be completely eliminated. What's crucial is the consistent **monitoring** of operations and the continuous **improvement** of internal **controls** to reduce exposure and impact.

» **RISK**

» **IMPROVEMENT**

» **MONITORING**

» **CONTROLS**

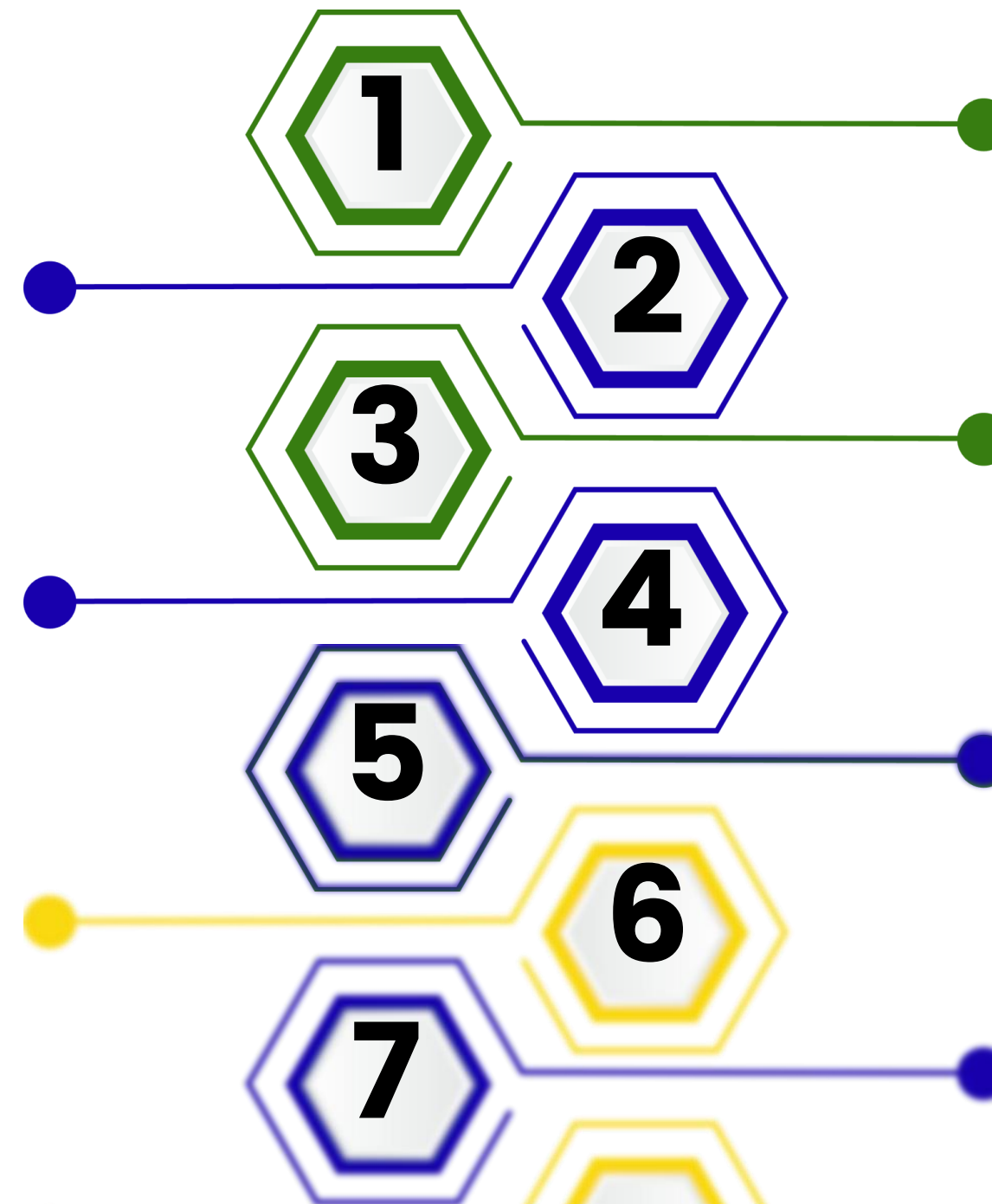


# LESSONS LEARNED

A strong ethical culture and ongoing **fraud** awareness training are crucial deterrents.

Dynamic internal controls, including audits and data analytics, help detect and prevent **fraud** early

Swift corrective actions and sanctions discourage repeat offenses.



**Fraud** occurs from both employees and clients, often using evolving methods.

Transparency and honest communication are key to rebuilding and maintaining client trust.

Empowered clients act as important partners in **fraud** prevention.

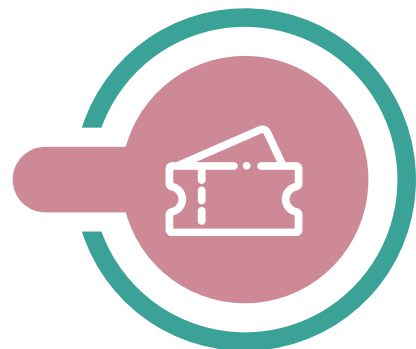
**Fraud** risk cannot be fully eliminated but can be managed through continuous improvement.



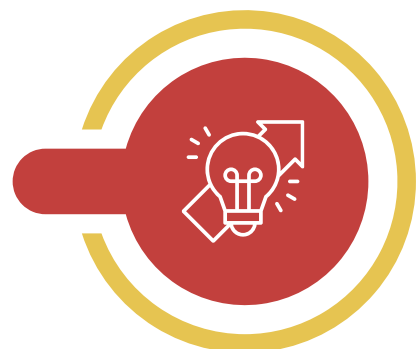
# NEXT STEPS FOR STRENGTHENING **FRAUD** PREVENTION



Establish regular, transparent communication with clients on fraud prevention progress.



Develop and implement a comprehensive **fraud** incident response plan.



Increase community engagement through town halls and client discussions.



Maintain frequent, surprise audits and independent reviews to catch new **fraud** patterns early.

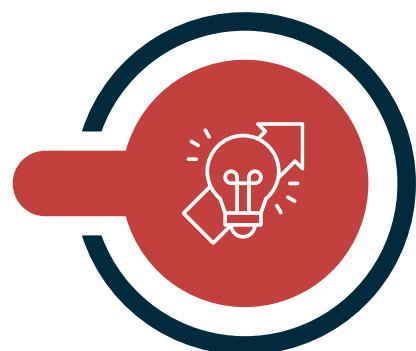
# NEXT STEPS FOR STRENGTHENING **FRAUD** PREVENTION



Enhance data analytics tools for more effective red flag detection.



Expand and deepen regular staff training with real-world **fraud** scenarios.



Scale up client education on **fraud** awareness and financial literacy.



Reinforce HR practices: stricter background checks and rotation policies.

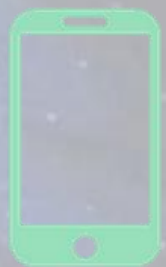


# THANK YOU



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