

# Segregation of Duties

It is generally accepted good practice that the financial duties undertaken by people in the organisation should reflect levels of authority and responsibility within an organisation.

Whilst the management committee retain overall responsibility for financial management, it is acceptable for them to delegate certain tasks to particular committee members, staff or volunteers.

However, it is not good practice for all tasks associated with the finance function to be performed by one person without adequate supervision from the management committee.

This is not a matter of trusting your employee(s); it is about safeguarding the organisation from fraud and protecting the employees from possible allegations.

How good is your organisation at segregating duties? Answer the following questions and find out.

## Financial health check

Segregation of duties

### 1. Has the group considered whether the current system could be manipulated by a committee member or employee to:

- Collude with others to provide invoices for goods or services that have not been received by the organisation. For example, the goods may be received for the employee's personal use or may be received by the organisation but at inflated, uneconomic costs. Who is authorised to place orders for goods and services? Who monitors this process?
- Prepare payment dishonestly, for example by completing a cheque stub as if paying an apparently legitimate expense whilst completing the actual cheque with their name. An organisation is especially at risk of this where the authorised signatories pre-sign blank cheques and the employee is also a signatory. Are blank cheques ever pre-signed? Who has access to cheque books? Does each cheque have two signatures, at least one of which is a member of the management committee? Does one person process invoices for payment and also prepare cheques for payment?
- Conceal mail which might alert the committee to fraudulent practice. Does anyone always arrive early and never take holidays?
- Prepare misleading financial reports which distort the actual position. For example, the employee might falsify the book-keeping records to hide the theft of monies. Does the treasurer and/or supervisor ever check the accuracy/completeness/legitimacy of financial reports?

### 2. Has the committee identified which tasks need to be completed and who will do them?

For example, is there a sensible segregation of the following tasks?

- placing orders for goods and services
- physical receipt of goods
- receipt of invoices
- processing of invoices
- preparation of payment for invoices
- authorisation of payment
- making online payments
- organisational credit cards
- signing of cheques

- receipt of mail (including bank statements)
- recording financial transactions
- preparing bank reconciliations
- witnessing bank reconciliations
- preparing monitoring reports for funders
- preparing financial reports to the committee