



# Controls Checklist



Set out below is a list of controls that may help prevent fraud. This is not intended to be an exhaustive list but, instead, is intended to assist with the consideration of a company's control environment. The controls are separated into different areas below.

## Recruitment and HR

- Obtain reference for new employees covering at least the preceding three year period. Any gaps in employment history should be thoroughly investigated.
- Consider additional pre-employment checks for employees in roles involving access to cash, positions of responsibility or in finance. These could include DBS, CCJ and credit checks. There are external companies who will undertake these checks on behalf of companies.
- All employees with responsibility for stock or finance required to take at least two weeks of uninterrupted annual leave.
- Training provided on both specific fraud risks and general procedures and controls. With respect to the latter, this should be repeated and updated at least annually.
- Implement a clear whistleblowing procedure to encourage employees to come forward if they have any concerns regarding the behaviour of their colleagues.

## Finance

- Although often difficult in small companies, segregation of duties should be maintained. Particular areas where duties should be segregated include the ordering of goods and subsequent approval of invoices and authorisation of payments, receipt / handling of cash, preparation of bank reconciliations and receipt of goods, preparation and authorisation of BACS and Payroll runs.
- Dual control. Often in small companies, one accountant autonomously deals with payments and receipts as well as preparing bank reconciliations and the company accounts. Even a business owner / manager with limited accounting knowledge must take some responsibility for these areas. Appropriate checks may include checking samples of payments to supporting documents, ensuring that payments over a certain limit require dual authorisation and being presented with and authorising monthly bank reconciliations, bank statements and management accounts and ensuring that any discrepancies are investigated.
- Regular review of profit margins compared to prior years and budgets. Thorough investigation of any unexpected results.
- Review of seldom used accounting nominal codes (including suspense accounts) for unusual / suspicious transactions.

## Cash Handling

- Cash kept on premises must be securely stored, preferably in a safe which can only be opened by two employees.
- All counting of cash to be undertaken by two employees and paperwork completed to evidence this.
- Where large quantities of cash are handled, consideration given to the installation of CCTV.
- Where possible, reduction in the quantity of cash handled. It may be possible to insist that employees handle no cash, for example by requesting customers to pay via bank transfer.

## Stock

- CCTV installed in areas where large quantities of stock are handled / stored.
- Records maintained of who enters and leaves premises.
- Searches conducted of individuals leaving premises.
- Regular stocktakes by individuals independent to those that handle the stock on a regular basis.
- Responsibility for stock records segregated from the individuals physically responsible for the stock itself.
- Regular checks on obsolete / damaged items being written off and on the handling of returns and associated refunds.



ASL are specialist loss adjusters. They have worked closely with AIG and their clients for many years investigating the full spectrum of crime claims including stock losses, employee fraud and social engineering frauds.

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