



Internal Controls For Small and Medium Sized Organisations (Part 2)

In the previous issue of NFP Hub we discussed a number of controls that small and medium sized organisations should implement. In this issue we provide a number of controls that should be implemented for payments made by small and medium sized organisations.

PAYING MONEY – PURCHASES

With all organisations, the main risk associated with purchases is paying for goods or services that have not been ordered. The following suggestions can be used to help minimise this risk:

- a. All payments must be supported by an invoice.
- b. When an invoice is received, the following should be checked:
 - i. Is it addressed to the organisation?
 - ii. Is it for goods or services that have been ordered?
 - iii. Have the goods or services actually been provided?
- c. For payments made by cheque:
 - i. The cheque must be signed by two authorised signatories; and
 - ii. Blank cheques must not be pre-signed even by one signatory.
- d. For payments made by EFT:
 - i. A two step process should be followed with one person preparing and submitting the payment and another person authorising the payment;
 - ii. Passwords should not be shared; and
 - iii. Tokens (if used) should be kept secure and not shared.

Remember that your financial institution considers passwords and tokens to be authentication of your identity. Sharing them is similar to forging a signature on a cheque. It's also good practice to change your passwords on a regular basis.

- e. Invoices should be marked as paid once the payment has been made to prevent it being paid twice.

PAYING MONEY – PAYROLL

In small to medium organisations it tends to be difficult (although not impossible) to pay fictitious employees as all employees are well known. Rather, the risk in payroll for small and medium organisations tends to be the over payment of casual employees (employees tend to tell you pretty quickly if they have been under paid.) Putting the following practices into place can be used to minimise this risk:

- a. Payroll reports should be reviewed by the person authorising the pay run and the following questioned:
 - i. Any non-standard or excessive hours; and
 - ii. Any excessive allowances.
- b. A spot check of payroll reports against timesheets can be conducted to ensure the hours are correct.

Other things to be aware of is the importance of being alert to Cybercrime given the increase in recent years. Also verifying supplier bank account details via telephone prior to making large payments, particularly for the first payment or where bank account details have changed since the last payment, can assist to ensure that you won't be caught out.

If you have any queries regarding the best internal controls for your organisation,
please give our team a call on (07) 4927 4588 (Rocky) or (07)4939 1766 (Yeppoon)

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