

Top ten tips for detecting and preventing fraud

A Guest Article by Jonathan Wall
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How to minimise the risk of fraud in your organisation

The risk of fraud to businesses is at its greatest in times of economic downturn. Big companies can be badly shaken by fraud; small ones can be destroyed.

Given the wide range of fraud that can be committed, what steps could you take to minimise the risk of fraud being perpetrated within your organisation?

Consider these top ten tips for detecting and preventing fraud.

1. Begin by recruiting the right people to work in your organisation. Make sure that you check out references properly and ensure that any temporary staff are also vetted, particularly if they are to work in key areas.
2. Ensure that you have a clear policy that fraud will not be tolerated within the organisation and ensure that this is communicated to all staff.
3. Consider which areas of your organisation could be at risk, then plan and implement appropriate defences.
4. Target the areas where most of your revenue comes from and where most of your costs lie. Develop some simple systems of internal control to defend these areas. Effective controls include:
 - segregating duties
 - supervision and review
 - arithmetical checks
 - accounting comparisons
 - authorisation and approval
 - physical controls and counts.
5. Wherever possible, avoid having only one person responsible for controlling an entire area of the organisation. This applies in particular to the accounting function but will also include other key areas – for example, goods ordering, stock control and despatch in a business where stock includes attractive consumer goods.
6. Always retain a degree of control over the key accounting functions of your business. Do not pre-sign blank cheques other than in exceptional circumstances, and ensure that the corresponding invoices are presented with the cheques.

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7. Be on the lookout for unusual requests from staff involved in the accounting function.
8. Watch out for employees who are overly protective of their role: they may have something to hide. Similarly, watch out for disaffected employees who might be bearing a grudge, or those whose circumstances change for the worse or inexplicably for the better!
9. Watch out for any notable change in cash flow when an employee is away from the office, for example on holiday or through sickness. This could be an indicator of fraud.
10. Prepare budgets and monthly management accounts and compare these with your actual results, so that you are aware of variances. Taking prompt investigative action where variances arise could make all the difference by closing the window of opportunity afforded to fraudsters.

Jonathan Wall

Managing Director – Elman Wall

If you would like more information on any of the points covered in this Guest Article, please contact **TCii** on **020 7099 2621**.