

There are simple financial safeguards that organisations can use to protect their funds against accidental loss, theft and fraud. Here are some examples that can help to keep your organisation's hard-earned money safe:

Approval and ratification

All expenses incurred by the organisation must be approved or ratified by the management committee, either before or after the expenditure is made. This helps to ensure that expenses are within budget and aligned with the organisation's goals. Remind your members that they should never spend their own money on purchases for the organisation without prior approval, in writing.

Approval refers to the process of seeking approval for an expense before it is incurred, while ratification is the process of approving an expense after it has been paid.

If you know that you will incur regular expenses throughout the year, such as electricity costs or a budgeted amount for repairs and maintenance, your committee can pre-approve expenditure up to the budgeted amount for the whole year, to save you approving payment of every invoice as it is received.

Dual authorisation

The organisation's bank accounts will require dual authorisation for any withdrawals or transfers. This means that two separate people must authorise the transaction, adding a layer of protection against fraud or theft. Before electronic funds transfers became the norm, cheques required two signatures to provide the same level of protection. If you still use cheques, never sign a blank cheque!

It's best if your organisation doesn't have multiple bank signatories from the same family or household.

Record keeping

Keeping accurate and up-to-date financial records is crucial for transparency and accountability. All receipts and invoices should be recorded and organised in a secure location while being easily accessible for committee members. Remember that your duty to act with care and diligence means that you should review the financial records of the organisation as much as needed to inform your decision making.

A cloud-based electronic bookkeeping system can help keep track of where money comes from and where it goes. Build in regular reviews and checks to help protect your organisation against false entries.

Supervision

All cash handling should be supervised to prevent theft or mismanagement. If cash is accepted at any events, it should be counted and recorded by at least two people to ensure accuracy. If someone in your organisation is required to handle significant amounts of cash, consider a criminal history check.

Electronic payments

Minimising cash handling reduces the risk of theft or loss. Where possible, the organisation should make and receive payments electronically, rather than using cash.



Financial safeguards

Contact recipients of large amounts

Before making payments over a certain amount, e.g. \$1,000, an organisation may have a policy that requires independent confirmation. When a staff member or committee member receives a payment request over that amount, they would need to contact the recipient by phone to confirm the details before processing the payment. This extra step can help prevent unauthorised payments and ensure that the organisation's funds are being used appropriately.

Fraud

You may have come across headlines about fraud in sports organisations. It's a reality that, without proper controls and oversight, can affect any organisation. All members of the management committee share the responsibility of preventing, identifying and addressing fraud.

Fraud refers to dishonest or deceptive behaviour by individuals linked to the organisation, leading to financial loss, misappropriation of funds or misuse of resources.

The following key indicators can signal fraudulent activities. Your organisation should vigilantly monitor them to minimise the risk:

Triggers

Certain personal circumstances can tempt individuals to commit fraud. These triggers often include personal financial pressures, an expensive lifestyle to uphold, addictions (particularly gambling) and health issues.

Justification

Often, fraud begins as minor infractions, with individuals telling themselves, *"It's only a few dollars..."* Over time, these small acts can escalate, with fraudsters rationalising their actions with excuses such as, *"I'm using the funds for a good cause," "I need the money more,"* or *"I deserve this for my volunteer work."* Remember, every dollar taken dishonestly from the organisation is fraud.

Skills

Unfortunately, some individuals possess the skills and personality traits that enable them to commit fraud successfully, often leaving their organisation in disbelief. These individuals may have backgrounds in finance or accounting, along with a thorough understanding of the organisation's operations and financial activities. This expertise can allow them to cleverly conceal fraudulent actions.

Opportunity

Organisation fraud can often stem from inadequate oversight and weak control over financial activities. This can happen when a single individual has unrestricted access to the organisation's bank accounts and passwords, or when there are no financial safeguards in place. Situations where key positions remain unfilled after the AGM or committee vacancies persist for extended periods can further increase the risk. An atmosphere of mistrust or suspicion towards certain management committee members can be a sign that transparency and ethical behaviours are lacking, potentially providing fertile ground for fraudulent activities.



How to avoid fraud

Financial reporting systems - having robust and timely financial reporting - helps management committee members stay ahead of fraud, as does looking for the key indicators mentioned above. For more information, see the ***Financial reporting requirements*** and ***Basic understanding of financial statements*** guides.

Administration and bookkeeping procedures that are compliant with laws and best practice can further reduce the likelihood of fraud. These should include membership receipt and payment making procedures, financial delegations and dual authority on all bank accounts. Additionally, always maintain effective management committee procedures such as having clear separation of duties, managing conflicts of interest and keeping whistleblowing policies and procedures up to date. See the ***Committee Roles and Responsibilities guides*** for more information.