

## Fraud and Misappropriation

**Appropriate financial procedures prevent mismanagement, misappropriation, loss and fraud** and P&C executive members are responsible for ensuring that appropriate financial procedures are followed.

Appropriate financial procedures include:

### Expenditure

- P&C cheques must be endorsed 'Not negotiable – account payee only'
- Cheque signatories **must not** sign blank cheques
- Cheques must be signed by two signatories (signatories must be **independent**)
- Cheques should not be made out to cash
- Cheque signatories must only certify payments when supporting documentation is available
- Payments must only be made when **original** invoices are supplied (do not pay on statements)
- Accounts must be paid by cheque only (except petty cash transactions)
- All paid invoices should be stamped 'paid' (with cheque number written on invoice, if applicable) once payment is completed i.e. cheque drawn.
- Officer receiving goods must be independent to the cheque signatories

### Revenue

- Two independent people should be responsible for collecting and counting money
- Daily takings register to be maintained for trading activities, e.g. tuckshop, uniform shop (the register must be certified by two people)
- Receipts should be issued when money changes hands (external and internal transactions)
- Money should be banked daily or stored securely (no money to be kept at people's homes)

### General

- Cashbooks/general ledgers to be kept up-to-date and liquid paper must not be used
- Presentation of financial reports (including all subcommittees) at monthly P&C meetings
- Presentation of profit and loss statements for the tuckshop at monthly P&C meetings
- Regular stocktakes
- Implementing cash registers at tuckshops – cash registers are more efficient than sale sheets
- Detection of mismanagement, misappropriation, loss and fraud could be by:
- Financial reports not being presented at monthly P&C meetings
- Canteen operating at a loss
- Canteen gross profit decreasing
- Supplier complaints over late payment of accounts
- Late banking of monies.
- Financial reports for presentation at **monthly** P&C meetings should include:
- A schedule of payments (already paid) and to be paid
- A statement of receipts and payments (ensure receipt and cheque numbers are in sequence)
- A bank reconciliation certified by the Treasurer and President (including the original bank statement)
- A trading profit and loss statement for the tuckshop account (particular attention to gross profit).



## **P&C Fraud**

### **Process for reporting suspected fraud or misappropriation.**

A principal of a school who has reason to suspect misappropriation of P&C Association funds, or fraudulent activity by any member of the P&C Association is to report this immediately in writing to the DET Regional Director.

With priority, the Regional Director will seek approval from the Director of Internal Audit for an Internal Auditor to engage in a fact finding activity with a view to determining whether or not to refer the matter to the New South Wales Police Service (NSWPS). It would be Internal Audit's responsibility to refer the matter to the NSWPS if appropriate, and to communicate the outcome to the Regional Director. Principals should support their P&Cs to appropriately manage their finances, however, the P&C Executives are ultimately responsible for ensuring appropriate financial procedures are followed to prevent mismanagement, misappropriation, loss and fraud.

Many are minor (i.e. <\$5000) and generally involve: cash collections not being banked cash being received, receipted and banked by one person who can alter what was actually received general lack of internal controls low tuckshop turnovers due to cash being stolen. Major frauds (tens of thousands of dollars) have involved: all of the previous but on a larger scale unauthorised EFT transfers to personal accounts cheques being drawn to themselves – signatures are forged, invoices falsified, cashbook completed with false information bank account rarely reconciled financial reports rarely provided to the Committee most occur during the 12 months between audits.