

# know risk

Ansvar Insurance Ltd. Level 18, 303 Collins St Melbourne, Victoria 3000. ABN 21 007 216 506 AFSL 237826  
Ansvar Insurance Ltd. Level 6, Sofrana House, 396 Queen St Auckland 1010.  
Members of the Ecclesiastical Insurance Group

## Fraud and cash security

Fraud and theft by treasurers and officers is more common than you may think.

During times of stress many people are tempted to commit acts which under normal circumstances would be less likely.

### It really does happen

Below are two case studies based on recent claims received by Ansvar Insurance:

1. A treasurer under pressure in his personal life began “skimming” cash from the weekly offerings. He alone counted, recorded and banked all the money received and consequently his theft continued undetected for some time. As the crime was committed over a long period of time the church had difficulties determining the precise amount stolen which presented problems with the prosecution and subsequent insurance claim.
2. A pastor who was too busy to bank the offerings for four consecutive weeks took the money home and stored it in a cabinet within his study. An opportunistic burglar broke into the home, ransacked the study and stole the accumulated money.

## Fraud prevention principles

By adhering to the following principles you can significantly reduce the likelihood of theft and fraud by your members and officers.

**Established procedures** - Set up well thought out procedures which describe how money should be collected, counted, recorded, reported and banked. Do not tolerate any departures from your procedures without carefully checking the reason why. Your procedures should clearly set out your expectations as this will assist in eliminating naïve or careless practices.

Unexplained deviations from your procedures may alert you to a potential problem.

**Reduce cash usage** – Thieves desire cash most of all. Avoiding the use of cash reduces the risk of personal assault and will remove temptation for those collecting and counting the money. Furthermore it will reduce the likelihood of a break-in to your building or treasurer’s home.

## Know risk fraud & cash security

Segregation of Duties – By involving a number of people within the chain of your financial processes you automatically build in checks and balances, for example:

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- At least two people should count and record any large sums received within a locked room.
- The person who purchases goods or pays expenses on your behalf should be different from the person who records the expenditure in your accounts.
- Volunteer treasurers should preferably hold their position for only one or two years.

This allows a replacement officer to reassess current practices and pick up any irregularities in a timely manner.

**Physical Controls** - Where \$400 or more (cash) is held overnight, the cash should be placed in an appropriate safe (not a locked filing cabinet). Larger amounts should be banked at the earliest opportunity.

**External Audits** – The church's financial accounts should be audited once a year by an external third party who has the appropriate experience and expertise. An external audit increases the likelihood of irregularities being discovered and promotes accountability.

**Document Transactions** – Clear, comprehensive and transparent records assist with holding those responsible for financial matters accountable. Should you suspect a problem, clear and complete records will make it easier to prove or disprove your suspicions.

*This material is for information purposes only. It is not intended to give specific legal or risk management advice nor are any suggestions, checklists or action plans intended to include or address all possible risk management exposures or solutions.*