

Checklist for Financial Checks

Topics covered

For complete financial management of your business, you need to consider putting financial checks in place to make sure you have a good control over your finances.

A financial check (known as financial controls) is a procedure used to detect and/or prevent errors, theft or fraud, or policy non-compliance in a financial transaction process. Financial checks procedures can be applied by either an individual or as part of an automated process within a financial system.

Owners of well-managed businesses would answer "yes" to most of the following questions.

Topics covered:

- Basic checks
- Revenue
- Cash receipts
- Cash used
- Accounts payable
- Receiving materials
- Employees

Resources, advice and support

Your best sources of up-to-date information and support are:

Financial Management section on Business Victoria website: business.vic.gov.au

Phone Business Victoria on 13 22 15

Workshops to assist with financial management: business.vic.gov.au/workshops

Small Business Mentoring Service is a non-profit organisation mentoring small to medium business operators at low cost: sbms.org.au

1. Basic checks

Tick when each is done and keep this checklist as a record ✓

Is a chart of accounts used?

Is it detailed enough to give adequate management information?

Is a double entry bookkeeping system used?

Someone approves journal entries?

Do you use budgets and cash projections which are:

- compared to actual results
- investigated if there are major discrepancies

Do you understand the form and contents of the financial statements?

Are comparative financial statements produced?

Are the books and records kept up-to-date and balanced?

Who is responsible for producing financial information?

Are reasonable due dates imposed?

Are annual vacations required?

Are storage facilities safe from fire, etc.?

Is access to accounting records restricted when appropriate?

Is insurance coverage regularly reviewed?

Is there a records retention schedule used?

2. Revenue

Tick when each is done and keep this checklist as a record ✓

Is there a policy for credit approval?

Are credit files kept current?

Are credit checks done regularly?

Are sales orders approved for price, terms, credit and account balance

Are all sales orders recorded on pre-numbered forms and are all numbers accounted for?

Do you review the monthly statements for outstanding balances?

Is accounts receivable subsidiary ledger balanced monthly to control account?

Is an aging schedule of customers' accounts prepared monthly?

Do you authorise write-offs and other adjustments to customer accounts?

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3. Cash Receipts

Tick when each is done and keep this checklist as a record ✓

Do you or a responsible employee other than the bookkeeper or person who maintains accounts receivable:

- open the mail and pre-list all cash receipts before turning them over to the bookkeeper?
- stamp all checks with restrictive endorsement "for deposit only" before turning them over to the bookkeeper?
- compare daily pre-listing of cash receipts with the cash receipts journal and the duplicate deposit slip?

Are cash receipts deposited intact on a daily basis?

Are cash receipts posted promptly to appropriate journals?

Are cash sales controlled by cash registers or pre-numbered cash receipts forms?

4. Cash Used (disbursements)

Tick when each is done and keep this checklist as a record ✓

Cheques

Are all disbursements except for petty cash made by cheque?

Are cheques pre-numbered and all numbers accounted for?

Are all cheques recorded when issued?

Are all unused cheques safeguarded, with access limited?

Is a mechanical cheque protector used to inscribe amounts as a precaution against alteration?

Are voided cheques retained and mutilated?

Do you sign or view all cheques?

If a signature plate is used, do you have sole control?

Are supporting documents, processed invoices, receiving reports, purchase orders, presented with the cheques and reviewed by you before she signs the cheques?

Are supporting documents for cheques properly cancelled to avoid duplicate payment?

Are cheques payable to cash prohibited?

Are signed cheques mailed by someone other than the person who writes the cheques?

Are bank statements and cancelled cheques:

- received directly by you

- reviewed by you before they are given to the bookkeeper?

Bank reconciliation statements

Are bank reconciliations prepared:

- monthly for all accounts? by someone other than the person authorized to sign cheques or use a signature plate if they are other than the owner?

Are bank reconciliations reviewed and adjustments of the cash accounts approved by you?

Petty cash

Are all disbursements from petty cash funds supported by approved vouchers?

Is there a predetermined maximum dollar limit on the amounts of individual petty cash disbursements?

Are petty cash funds on an imprest basis (the total amount is set e.g. \$100, you can only spend what you have and it's only topped up with what's spent) and:

- kept in a safe place? reasonable in amount so that the fund ordinarily requires reimbursement at least monthly? controlled by one person? periodically counted by someone other than the custodian?

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5. Accounts Payable

Tick when each is done and keep this checklist as a record ✓

Are vendor invoices matched with applicable purchase orders and receiving reports?

Are all available discounts taken?

Are all available discounts taken?

Is there written evidence that invoices have been properly processed before payment, e.g. stamped?

Are there procedures which provide that direct shipments to customers, if any, are properly billed to them?

Do you verify that the trial balance of accounts payable agrees with the general ledger control account?

Are expense reimbursement requests submitted properly and approved before payment?

6. Receiving

Tick when each is done and keep this checklist as a record ✓

Are all materials inspected for condition and independently counted, measured, or weighed when received?

Are receiving reports used and prepared promptly?

Are receiving reports subjected to the following:

- pre-numbering and accounting for the sequence of all numbers?

- copies promptly provided to those who perform the purchasing and accounts payable function?

- controlled so that liability may be determined for materials received but not yet invoiced?

6. Employees

Tick when each is done and keep this checklist as a record ✓

Are all employees hired by you? Are you satisfied all employees are competent and honest, and job references are checked?

Are employees bonded (an insurance agreement guaranteeing repayment for financial loss)?

Are individual personnel files maintained?

Is access to personnel files limited to you or a designee who is independent of the payroll or cash functions?

Are wages, salaries, commission and piece rates approved by you?

Is proper authorization obtained for payroll deductions? adequate time records for employees paid by the hour? piecework records for employees whose wages are based on 'per piece' production? are piecework records reconciled with sales records? are salesmen's commission records reconciled with sales records?

If employees punch time clocks, are the clocks located so they may be watched by someone in authority?

Are time records for hourly employees approved by a foreman or supervisor?

Would you be aware of the absence of any employee?

Is the clerical accuracy of the payroll checked?

Are payroll registers reviewed by the owner?

Do you approve, sign, and distribute payroll cheques?

If employees are paid in cash, do you compare the cash requisition to the net payroll?

Do you maintain control over unclaimed payroll checks?

Are staff cross-trained in accounting functions?