
Could your staff be stealing from you?

If your business deals with cash, what procedures should you have in place to prevent the theft of money or goods? Martin Brennan gives his advice.

It is well known that where there is an opportunity temptation can arise. In the businesses I have worked with, I have reviewed the procedures and filled in the gaps where there was a breakdown in procedures relating to staff, cash, and goods.

Here are some things a business owner/manager can do to minimise the risk of theft:

- Assess the environment in which you operate, what is the culture of your business?
- Do you have a procedure for dealing with cash?
- Do you conduct stock takes?
- Do you regularly monitor your margins?

Assess the environment and culture of your business?

This is the first step. A cash environment is higher risk compared to a company that only deals with Direct Debits as payments. An environment where food and drink are sold is also at greater risk than a business that sells insurance. Consider the following:

- What is the culture of the work environment?
- What are the acceptable and non-acceptable policies of your business?
- Can a staff member have their dinner for free at work?
- Can a staff member bring a dinner home?
- What can be consumed at work for free (if anything), and can the items be consumed at home?
- Can cash be taken from the till for petty cash expenses, and are receipts needed for these petty cash costs?
- Are receipts given to all customers?
- Do you have a no sale button on your till?

These are some things you need to consider. When you go through this, it will give a framework, and your procedure fills any gaps.

Each business is different, and business owners need to look at what happens on the floor to determine where the boundaries are. Once the rules are determined, they should be communicated to all staff in written form, and be signed in agreement. For any new employees, this should be part of their induction.

Procedures for dealing with cash

If you operate a cash business, this is the most important area to focus your attention. You should have procedures to deal with any 'overs and unders' in cash reconciliation.

Reconciliation should be done after each shift, and additional spot checks should be carried out. Patterns start to emerge, so spot checks need be done at random times.

When dealing with 'overs and unders' in cash, you should have a threshold. In my opinion, an under could be due to an honest mistake, so an arbitrary figure of €10 may be acceptable. However, this needs to be monitored and written down including details of the staff working the date the amount varied. Patterns can start to emerge, and a written record is the best way to spot this.

When it comes to cash overs, there is no threshold. Any over is an indicator of a breakdown in your procedures - the till has more money than it should have. This is an alarm bell and needs to be investigated immediately.

An over could be the result of cash been taken from a customer but no sale been recorded. This is in fact under recording your sales, and the VAT due on this sale. This is a criminal offense.

The unrecorded cash in the till may also tempt staff to pilfer.

Do you conduct stock takes?

Some small businesses don't usually perform stock takes as they see them as time-consuming with little value gained from them. The only time retailers check their stock is when the accountant wants the closing stock figure for the year end accounts.

A stock take is a simple measurement: *opening stock + purchases – closing stock = what was sold.*

This information is critical for a retail business, as it will highlight trends. The figures calculated will highlight if your staff are not recording sales correctly, or giving away or consuming large amounts of goods.

I find that most businesses don't know what margin they are getting on their products. To determine what price you charge for the service or goods, this will give you a margin percentage.

Goods / sales price x 100 = Margin

100 / 500 x 100 = 80% Margin

Trends will emerge very quickly, and once a benchmark is set any differences from the benchmark will need to be investigated.

Conclusion

Business owners, especially retailers dealing with cash and food, need to be aware of the opportunities people could take. It is important that you put as much trust and training into your staff as you can and create an environment that has clear procedures which staff can understand.

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