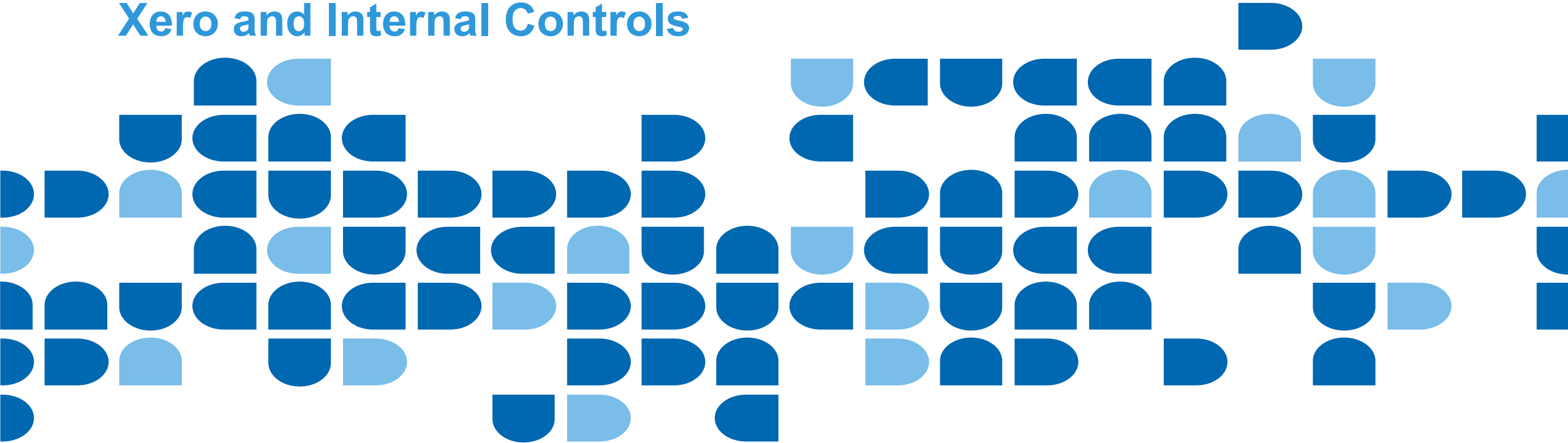


# Not-For-Profit Finance Forum 2018

## Xero and Internal Controls



Clyde Young and Courtney West

*Changing Lives.*

## Who we are?

---



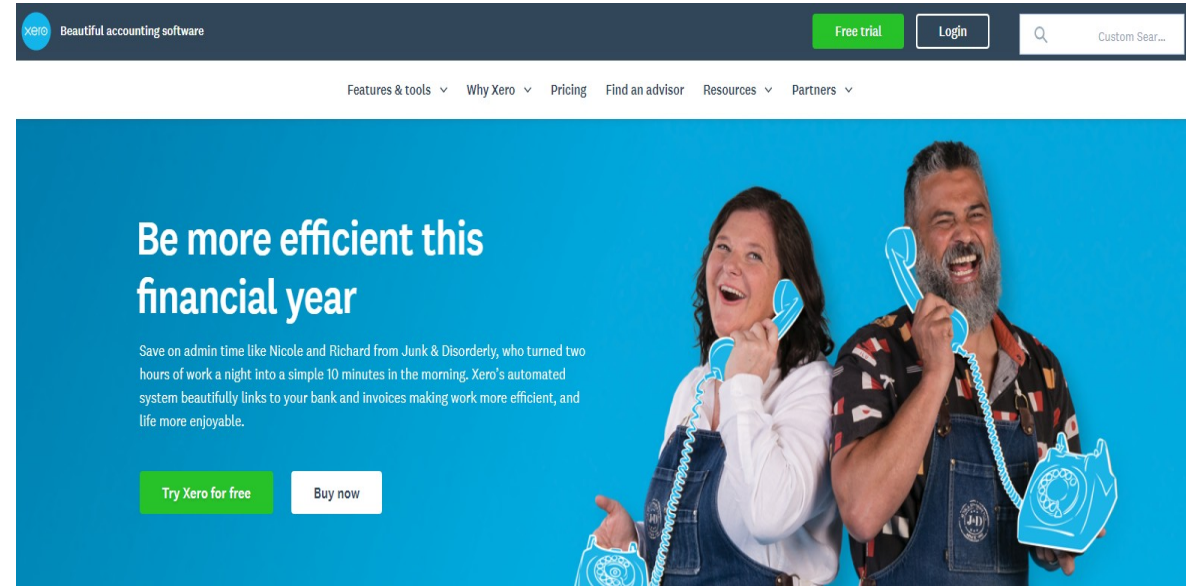
Australia and New Zealand network  
of Accounting Firms



The sixth largest grouping of Accounting Firms  
Worldwide

## Have you heard of XERO?

- Probably the most widely used software in the Not-For-Profit sector
- Focus of discussion is on how to better use Xero?
- Understanding the different features.
- Better reporting for boards and management.
- Most people are new to Xero or have only been using it less than 5 years.
- No discussion around Xero and fraud. Is it

A screenshot of the Xero website's main banner. The banner has a dark blue background with a photograph of a woman and a man in overalls, both holding large, stylized blue telephone receivers. The text on the banner is white and green. At the top left, it says 'xero Beautiful accounting software'. To the right are buttons for 'Free trial' and 'Login', and a search bar with the text 'Custom Search...'. Below the navigation bar, there are links for 'Features & tools', 'Why Xero', 'Pricing', 'Find an advisor', 'Resources', and 'Partners'. The main headline reads 'Be more efficient this financial year'. Below this is a short paragraph of text and two buttons: 'Try Xero for free' and 'Buy now'.

xero Beautiful accounting software

Free trial Login Custom Search...

Features & tools Why Xero Pricing Find an advisor Resources Partners

### Be more efficient this financial year

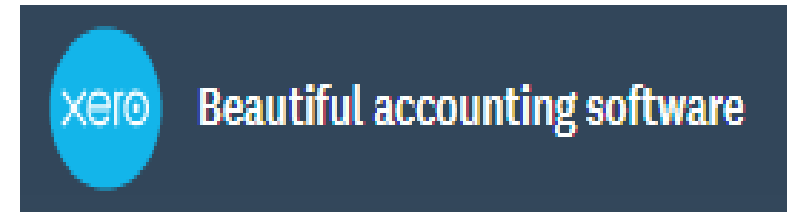
Save on admin time like Nicole and Richard from Junk & Disorderly, who turned two hours of work a night into a simple 10 minutes in the morning. Xero's automated system beautifully links to your bank and invoices making work more efficient, and life more enjoyable.

Try Xero for free Buy now

## Oh yes its possible!

---

- We will highlight where we think there is potential in Xero for fraud.
- Show you steps to track usage and review staff activity in Xero.
- Steps you can take to reduce the potential of fraud.
- How to integrate into your internal control processes the use of Xero.



## Most common types of fraud

Most common frauds include

- asset misappropriation (theft of cash, data, and property),
- corruption
- and financial statement fraud schemes (deliberate misstatement, misrepresentation, or omission of financial statement data)





## Internal control basics

We will be concentrating on the first type of fraud

By implementing the following anti-fraud internal controls and practices, organizations can expect considerably lower losses due to fraud.

- ✓ Segregation of Duties
- ✓ Expense Reimbursements
- ✓ Whistleblower Hotline



## Managing Users – the main roles

The roles in Xero are:

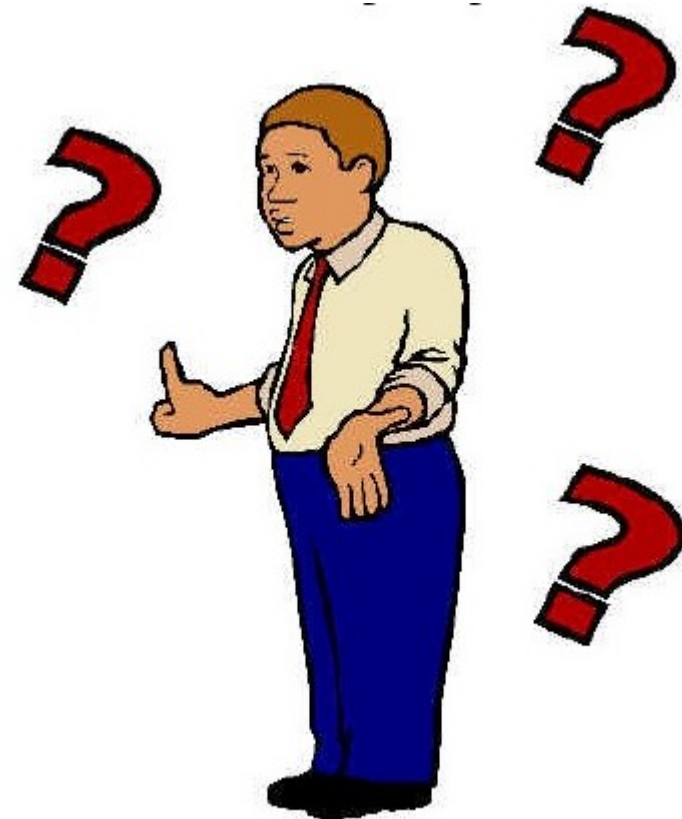
- Advisor
- Standard
- Invoice only
- Read only
- Manager users
- Contact bank account admin



## Managing Users – Deciding on the roles

Questions to ask:

1. Who decides on “who manages the user” – easy if that person is the owner. Harder for a Not for Profit.
2. What qualifies a person to be an “advisor.”
3. Who should have “standard.”
4. Who is the appropriate person to have “invoice only.”
5. Does your organisation have a policy





## Other roles

- ❑ Invoice only options – There are four options for the Invoice only role, which give different levels of access to sales and purchases transactions: Only create drafts, Sales, Purchases, and Approve and pay sales and purchases
  - Invoice only – Draft
  - Invoice only - Approve and pay
  - Invoice only – Sales
  - Invoice only – Purchases

- ❑ Who is reviewing the work done above?



## Managing Users – Periodic review

- ❑ Who should still be users?
- ❑ Who should be removed
- ❑ Are their current roles appropriate
- ❑ Schedule into the annual finance calendar – review of Xero users



## Lock dates

- Locking dates is an important function as it means you cannot make changes to periods where the dates have been locked.
- Two main places to lock dates
  - Conversion Balances
  - Financial Settings
- Only someone with advisor role can lock dates.



## Protecting your account

- ❑ Set up two-step authentication to provide an extra layer of security for your Xero account. We also recommend enabling two-step authentication for your email account where available.
- ❑ Don't share your login details. Each user in your organisation should have their own account so there's an audit trail of access and data changes.
- ❑ Regularly check your login history to make sure your account is secure.
- ❑ If your account is accessed from a new device or browser, we'll send you an email alerting you to the log in. Check details in the email to make sure you logged in at that time and location.
- ❑ You'll be automatically logged out of Xero after a period of inactivity. You can't change or turn off the timeout



## Review log history

- You can look at a transaction and review the log history
- The log history will show what changes, have been made, by who and when – see example below

**History & Notes**

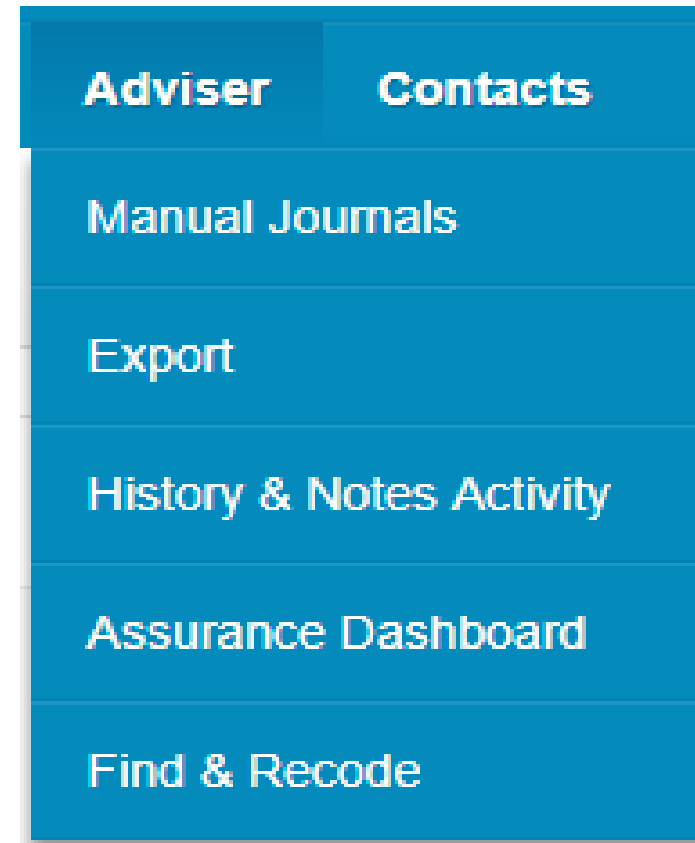
Approved by Enrino Panes on 20 Feb 2018 at 17:17p.m.  
2250488854 from Contact Energy for 98.62.

[Hide History \(3 entries\)](#) [Add Note](#)

Changes	Date	User	Details
Approved	20 Feb 2018 5:17 p.m.	Enrino Panes	2250488854 from Contact Energy for 98.62.
File uploaded	20 Feb 2018 5:17 p.m.	Enrino Panes	Uploaded file: <a href="#">2250488854.pdf</a>
Created	20 Feb 2018 5:17 p.m.	Enrino Panes	2250488854 from Contact Energy for 98.62.

## Review log history

- You must have advisor status to review the log
- Put it on your dashboard
- Under the advisor tab select History & Notes Activity
- Here you can review individual entries or all entries, you can also review based on user name
- In the finance manual – this should be done – monthly by whoever has advisor status.
- Done annually by the external accountants as part of their year end. (Who is checking on the advisor?)
- What you should be looking for? Infrequent user, bank account detail changes, unusual activity, large changes etc.





## Bank account admin

- Manage users have the following rights
- Can give people access to bank account admin
- Bank account admin – add or edit customer and supplier bank account details
- Audit of this function needs to be done regularly
- Done on two levels
  - at manage user level
  - bank account admin level

### Give Bank account admin permission to a user

Only users with the Bank account admin permission can add and edit customer or supplier bank account details. Users with the Standard, Adviser, Invoice Only (Purchases or Approve and pay options), or Cashbook Client role can be given this permission.

1. In the **Settings** menu, select **General Settings**.
2. Click **Users**.
3. Click on the user whose access you want to change.
4. Go to **Business and accounting**, and select the **Bank account admin** checkbox.
5. Click **Save**.



Users with this permission receive a notification when changes are made to bank account details:

- On a supplier's contact record
- In a batch payment

## What to watch out for

You can mitigate the risks by:

- Reviewing Xero's Audit Trail - it cannot be turned off.
- Ensure that the person who enters the payments, does not physically make or release the bank payments.
- Random checks of supplier invoice details to details held in your contact record.
- Follow up on calls from your suppliers who tell you that bills are outstanding.
- Keep an eye on your sales and sales receipts

## Watchfuleyesoftware.com

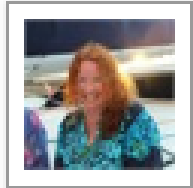


- <https://www.watchfuleyesoftware.com/>

### What it does:

- Improve the integrity of your accounting data, your accounting processes and reduce the risk of errors and fraud
- Seamless integration with Xero
- Dashboard to display the quality of your accounting processes
- Out of the box analysis of a wide range of Supplier, Customer and Employee attributes and relationships
- Highlights changes to bank accounts where the account has changed since the last payment
- Actionable results highlighting suspicious data and transactions which you can investigate (or we can provide this service for you)

## Case study



### Protecting business from fraud

Started by [Michelle Christoe](#) - 21 Jul 2017 in [Small Business](#)

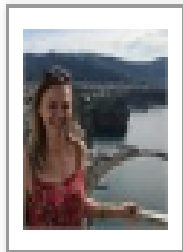
We recently had a situation where a finance employee changed a supplier's bank details to her own for several transactions. We found it by accident. Fortunately it wasn't a lot of money however is there a way of xero automatically cross referencing supplier bank details with employees to prevent this from happening?

[Login & Reply](#)

[Share](#) ▼

[RSS](#) 

## Case study



Oh no - I'm sorry to hear about that, Michelle! There's a few things we've done to safeguard against these situations. We created a Bank Account Admin role - meaning that only those with that role can change bank accounts - not helpful though if it's your finance employee that did that! We also have the Assurance Dashboard which you can access if you have Adviser role - click under the Contacts tab and it'll show you contacts with the same bank account & contacts whose bank accounts have been edited. Can you please also get your subscriber in touch with Support? They'll be able to help you gather any data you may need around this issue. Sorry again to hear of this - hopefully this answers your questions!

 **Brittany H (Community Manager)** 21 Jul 2017

# Thank you

## Contact

**Clyde Young** [clyde.young@williambuck.co.nz](mailto:clyde.young@williambuck.co.nz)

**Courtney West** [courtney.west@williambuck.co.nz](mailto:courtney.west@williambuck.co.nz)