

# SOP: Reporting Discrepancies, Fraud Prevention, and Audit Compliance

This SOP details the procedures for **reporting discrepancies, fraud prevention, and audit compliance**, encompassing identification and documentation of discrepancies, steps to prevent fraudulent activities, guidelines for conducting internal audits, and ensuring adherence to regulatory standards. Its objective is to maintain transparency, uphold integrity, and promote accountability within the organization through systematic reporting and compliance practices.

## 1. Purpose

To establish standardized procedures for identifying, reporting, and addressing discrepancies, preventing fraudulent actions, and ensuring compliance with audit and regulatory requirements.

## 2. Scope

This SOP applies to all employees, managers, and executives involved in financial transactions, record-keeping, and audit operations across all departments of the organization.

## 3. Responsibilities

- **Employees:** Promptly report discrepancies and suspected fraud.
- **Supervisors/Managers:** Review, escalate, and document reported incidents; ensure compliance with this SOP.
- **Internal Audit Team:** Conduct regular internal audits, maintain records, and ensure alignment with regulatory frameworks.
- **Compliance Officer:** Oversee SOP execution and update procedures as needed.

## 4. Procedures

### 4.1 Identification and Reporting of Discrepancies

1. Review financial transactions and records regularly.
2. Immediately report detected discrepancies to the direct supervisor or designated compliance officer via the **Discrepancy Reporting Form**.
3. Document the nature, date, and details of the discrepancy in the organization's reporting system.
4. Supervisors must review submissions within 2 business days and initiate a preliminary investigation.

### 4.2 Fraud Prevention Steps

- Implement segregation of duties to avoid conflicts of interest.
- Maintain access controls and monitor sensitive transactions.
- Conduct staff training on fraud awareness bi-annually.
- Encourage use of confidential whistleblowing channels.
- Review and update fraud risk assessment annually.

### 4.3 Internal Audit Guidelines

1. Plan audits based on risk assessment and management priorities.
2. Examine records, interview relevant staff, and test controls for effectiveness.
3. Document findings, including any discrepancies or evidence of non-compliance.
4. Provide audit reports to management and compliance officer for review and corrective action.
5. Follow up on recommendation implementations in subsequent audits.

### 4.4 Regulatory Compliance

- Ensure all reporting and auditing procedures align with applicable legal and industry regulations.
- Maintain accurate, up-to-date documentation for audit trails.
- Conduct periodic training on regulatory requirements for all staff involved in financial processes.
- Update compliance checklists annually or as regulations change.

## 5. Documentation

- Discrepancy Reporting Form
- Fraud Incident Register
- Audit Reports and Checklists
- Training Attendance Records
- Compliance Monitoring Logs

## **6. Review and Updates**

This SOP shall be reviewed annually or upon significant process/regulatory changes. Revisions require approval by the Compliance Officer and leadership team.

## **7. References**

- Relevant regulatory guidelines (specify as needed)
- Internal Policies & Procedures Manual
- Risk Management Policy