



SEGREGATION OF DUTIES POLICY

This policy provides guidelines for the segregation of duties pertaining to financial transactions within Costain's EnterpriseOne (E1) system and payment system. Entities operating other accounting systems must put in place equivalent processes.

Adequate segregation of duties is critical to effective internal control, providing the necessary checks and balances to deter fraud, detect errors and prevent concealment of irregularities.

In general, the order approval function and accounting/reconciliation functions should be segregated among employees. When these functions cannot be separated, detailed supervisory review of related activities is required as a compensating control.

Procure to Pay

In order to mitigate risks of fraudulent activity within the procure-to-pay (P2P) process, duties must be segregated to an extent that ensures that no individual has the ability to perform the full end-to-end process, from Address Book maintenance through to production of payments. In practice, preventing individual users from performing certain key sub-processes or combinations of sub-processes satisfies this requirement.

The following rules have been established:

- Subject to a caveat for small value orders, users able to create purchase orders must not be able to approve those orders and the default position is two levels of approval. Small value orders can be self-approved on E1 with currently a maximum level for self-approval for some users of £5,000.
- Users able to add or change supplier address book records or bank details must not have access to any other P2P sub-process.
- The person preparing the payment must not perform any other process within the payment run.
- The payment paperwork must be reviewed and signed as approved on the payment mandate before the online payment is made.

Access Approval

Ability to perform P2P sub-processes within the E1 system is controlled through the assignment of E1 roles. All requests for E1 access require line manager approval and will trigger a check of P2P roles assigned to that user. All Line Manager Approvals must be via email, and this must be attached to the E1 access request raised in the IT portal.

Exceptions

There are circumstances where segregation of duties conflicts exist in E1. The business is in the process of mitigating these conflicts or removing them. Where this is not possible specific approval by the Group Director of Finance is required.

Exceptions should be reviewed periodically to confirm that they are still acceptable.

This policy will be reviewed annually to ensure the segregation of duties is suitable, effective, and consistently implemented across Costain.

Signed: 
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A Vaughan (Chief Executive Officer)

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Business Owner: Group Director of Finance