

Assessment of Internal Control Applied Over the Operational Areas of Finance Department of XXX.

Risks Identified	Controls To Mitigate Risks	Existing Controls	Ways to Improve the Controls	Management Response
<p>A. <u>Payments & A/C Payable</u></p> <p>i. Risk of duplicate payment made to same invoices.</p> <p>ii. Risk of unrecorded liabilities</p> <p>iii. Risk of fraudulent payment made.</p>	<p>ii. All paid invoices to be stamped "PAID";</p> <p>iii. Reconcile creditors' statements to Creditors Payable Control A/C at every month end.</p> <p>i. Reconcile creditors' statements to Creditors Payable Control A/C at every month end.</p> <p>i. Fix frequency and timing of payment runs;</p> <p>ii. Prepare payment listing based on Aged Creditors listing;</p> <p>iii. Check invoices for payment approval by users (duly approved within LOA) and supporting documents</p>			

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iv. Risk of inaccurate /incomplete data	to amount stated as A/C Payables ; iv. Set criteria for approval of urgent and/or ad-hoc payments; v. Generate cheques based only on approved payment listing; vi. Register and reconcile computerised cheque numbers; vii. Submit supporting documents along with cheques to cheques signatories; viii.Reconcile payment control totals; ix. Record all canceled cheques; x. Safe keeping of unused cheques by authorised personnel; i. A person other than the data entry staff should check accuracy			

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<p>entry to A/P system.</p> <p>v. Risk of incurring additional interest expense (in cases where interest is charged on overdue amount) and suspension of supply by suppliers due to overdue payment.</p>	<p>and completeness of data entry into the A/C Payable system, eg. check audit trail report/edit list at end of each batch of data entry, eg. check audit trail report/edit list at end of each batch of data entry;</p> <p>ii. Reconcile Creditors Payable Control A/C and General Ledger at every month end.</p> <p>i. Monitor outstanding payments regularly based on credit terms given and aging of creditors;</p> <p>ii. Reconcile creditors' statements to Creditors Payable Control A/C at every month end.</p>			

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<p>B. Receipts & A/C <u>Receivables</u></p> <p>i. Risk of loss on interest income and cash flow affected due to misappropriation and loss of cheques received or late lodgment of receipts from customers.</p> <p>ii.. Risk of inaccurate /incomplete data entry to A/R system.</p>	<p>ii. Opening of mails by 2 personnel.</p> <p>iii. Record all cheques received in a Remittance Register/ Post-dated Cheques Register;</p> <p>iii. Reconcile regularly Remittance Register against Receivables Control A/C ;</p> <p>iv. Ensure cheques were deposited to bank within 1 working days and monitor regularly bank deposit slip against Remittance Register.</p> <p>i. A person other than the data entry staff should check accuracy and completeness of data entry into the A/C Receivable system;</p>			

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<p>iii. Risk of bad/doubtful debts occurring.</p>	<p>ii. Reconcile Receivables Control A/C to General Ledger at every month end.</p> <p>i. Review debtors aging periodically (eg. every 3 months) to identify long overdue debts and to ascertain provisions for doubtful debts and bad debts to be written off.</p> <p>ii. Adhere strictly to the approved credit limits and credit terms as spelled out in the LOA.</p> <p>iii. Implement in the A/C Receivables system, control mechanism such as multiple level access password known to specific authorised personnel for credit override.</p>			

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<p>C. Fixed Assets</p> <p>i. Risk of fixed assets acquisition in excess to Approved Capital Expenditure Budget.</p> <p>ii. Risk of fraudulent acquisition/ disposal/ write off of fixed assets.</p> <p>iii. Risk of loss of fixed assets.</p>	<p>ii. Strictly adhere to the approved Capital Expenditure (CAPEX) Budget available. In the exceptional circumstances, acquisition exceeding budget can only be allowed with approval from the Managing Director.</p> <p>i. Expenditure Proposal (“EP”) must be reviewed by FM before any acquisition, disposal or write off to ensure it is appropriate and in accordance with the LOA</p> <p>i. Assign a reference number to each fixed assets and tag the numbers with respective fixed assets;</p>			

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<p>iv. Risk of unable to recover loss incurred due to fixed assets loss or damage as a result of insufficient insurance coverage over fixed assets such as motor vehicles, building and computer equipment.</p>	<p>ii. Check periodically the physical existence of fixed assets by matching the tagged numbers against the Fixed Assets Register;</p> <p>iii. For portable and valuable assets such as laptop should be kept in a locked room when not in-use.</p> <p>i. Fixed Assets Register should be reviewed periodically to ensure that insurance coverage are adequate.</p>			

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v. Risk of inaccurate/incomplete record of fixed assets movement into fixed assets register.	i. A personnel other than the data entry staff should check accuracy and completeness of data entry regarding the movement of fixed assets by checking against the suppliers' invoices and approved EP; ii. Fixed Assets Control A/C should be reconciled to Fixed Assets Register periodically.			
<u>D. General Ledger ("GL")</u> i. Risk of loss of records due to unauthorised amendments/accidental purging of records. ii. Risk of inaccurate	ii. Maintain periodic back-up for all records; iii. Limit access to GL by authorised personnel, eg. by password; i. Personnel other than the data entry staff should check accuracy			

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<p>/incomplete data entry to GL.</p> <p>iii. Risk of duplicate entries.</p>	<p>and completeness of the data entry</p> <p>ii. Traceability of data from GL to origination should always be maintained;</p> <p>iii. All journals should maintain the following criteria:</p> <ul style="list-style-type: none"> - Adequate narration, - Complete supporting document, and - Segregation of preparation and approval <p>i. All document process should be stamped "POSTED"/ "PROCESSED";</p> <p>ii. Maintain in-built system controls where it does not allow duplicate invoice/data to be keyed-in.</p>			

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iv. Risk of difficulties occurring in clearing transactions in suspense A/C through lapse of time, missing records and departure of personnel familiar with the transactions	i. Controls over suspense account: <ul style="list-style-type: none"> - Limited use, - Approval before use, and - Regular reconciliation and clearance 			
E. <u>Bank A/C</u> i. Risk of inaccurate/inappropriate items in bank reconciliations.	i. Prepare bank reconciliation at a regular basis; ii. Bank reconciliation should be reviewed regularly by Finance Manager/Accountant			
F. <u>Petty Cash</u> I. i. Risk of petty cash loss.	i. Kept by authorised			

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ii. Risk of misappropriation over petty cash advances/disbursement/reimbursement.	personnel at safe/locked; cabinet. i. Reconcile petty cash float to petty cash records; ii. Petty cash float should be reviewed independently. i. Imprest system controls should be implemented; ii. Petty cash advance/disbursement/reimbursement should be reviewed periodically.			