

**Rasheed for Integrity & Transparency Company
Limited Liability Company
Amman – The Hashemite Kingdom of Jordan**

**Management Letter
For the year ended December 31, 2016**



Table of contents

<u>Subject</u>	<u>Page Number</u>
1 Cash in Hand and at Banks	
1-1 <i>Insurance policy on cash in hand ,en route and on cash dealers</i>	
1-2 <i>Cash Dealers' Guarantees</i>	
1-3 <i>Petty Cash Advances Regulation</i>	
2- Properties and Equipment	
2-1 <i>Analytical Record of Properties and Equipment</i>	
2-2 <i>Numbering of Properties and Equipment</i>	
2-3 <i>Periodic Stock Taking of Properties and Equipment</i>	
2-4 <i>Capital and Revenue Expenditure</i>	
3- Procurement	
3-1 <i>Purchase Request Form</i>	
3-2 <i>Request for Proposals</i>	
3-3 <i>Purchase Order Form</i>	
3-4 <i>Protocol of Receipt of Purchases</i>	
4- Administrative and Accounting Information System	
4-1 <i>Carry-Over of Bonds</i>	
4-2 <i>Amend Carried Over Bonds to the Accounting System</i>	
5- Control Over the IT Systems	
6- Seals	
6-1 <i>"Carried Over" Stamp</i>	
6-2 <i>"Paid" Stamp</i>	
6-3 <i>"Pay Only to First Beneficiary" Stamp</i>	
7- Written Financial and Accounting System	



Talal Abu-Ghazaleh & Co. International

Global Company for Auditing and Accounting

Amman, July 4, 2017

To: Rasheed for Integrity & Transparency Co.
Limited liability Company
Amman- Hashemite Kingdom of Jordan

Subject: The Financial Statements for the Year Ended December 31, 2016

Greetings,

Reference is made to the above subject and through our probationary audit to the accounting records and books besides the internal control system up-to-date; we have some notes to the internal control system that may affect the company's ability to verify its records and accounts and to make proper financial reports in line with affirmations of the management and in accordance with the professional standards.

Our goal is to audit the company accounts but not to make opinion or give affirmations about the internal control system. Therefore, and due to the probationary nature of the audit in addition to the inertia in any internal control system it wouldn't be necessary to detect all errors and weaknesses.

With all due respect ,

Talal Abu Ghazaleh
(Signed)

Mohammed Al Azraq
CEO

TAG-Org building , No. 26
Prince Shaker Bin Zaid St. , Shmeisani
Tel : +962 6 5100 600
Fax : +962 6 5100 610
P.O.Box : 3966 , Amman 11953 Jordan

Tagi.com
Tagco.amman@tagi.com
Member of the Forum of Firms

* Seal of Talal Abu-Ghazaleh & Co. Intl.



• **The following are notes and recommendations:**

1- Cash in Hand and with Banks

1-1 insurance policy over cash in hand, en route and over the cash dealers

Note: There is no insurance policy over the cash in hand, en route or over the cash dealers in addition to absence of guarantees.

Recommendation: Such policy should be made available and guarantees made to the cash dealers to preserve the company funds.

Response of management: Cash in hand is not that large.

1-2 Cash Dealers Guarantees:

Note: No guarantees are made against the cash dealers such as the cashier.

Recommendation: We recommend such guarantees are made available over the cash dealers to preserve the company funds.

Response of Management: Cash in hand is not that large.

1-3 Petty Cash Advance

Note: Lacking the clear policy for control over the petty cash advance

Recommendation: as follows:

- 1) A clear policy is to be established showing the max petty cash and amounts in excess of that limit is duly paid by checks with a view to increase control over the cashing from the cashier
- 2) To create the petty cash system subject to the following control issues:
 - A max limit for cashing at a time (from JD 25 to JD 50), as needed and any amount above the max limit is to be paid by check.
 - Advance is to be replaced by check when cashing reaches 70%- 80% of the specified amount so that balance may not be zero without replenishment this would force the advance holder to pay amounts from his own pocket.
 - Use substitution consolidated form to show disbursements details attached with the supporting documents in an order easy to follow.
 - The petty cash advance is part of the personal liability of its holder and charged against him within the accounts.
 - Inventory of the petty cash advance and document the same through official inventory minutes by another person who has nothing to do with the petty cash advance.



- Maintain the petty cash advance and relevant invoices in a special fund but not in the office drawer or personal wallet.

Response of Management: The above recommendations will be applied as soon as possible.

2- Properties and Equipment:

2-1 analytical record of properties and equipment

Note: the company does not duly maintain an analytical detailed record of all property and equipment.

Recommendation: such record should be created showing the following:

- Name of asset
- The registration No. must be inserted if the asset is a transport
- Nature of the asset
- Location of asset
- Date of purchase
- Name of supplier
- Asset No.
- Method of Depreciation
- Rate of Depreciation
- Cost of asset at purchase date
- Cost of additions and deletions made to the asset
- Cost of asset by year end
- Yearly depreciation of asset
- Accumulated depreciation of asset by the end of each year
- Net book value of asset by the end of each year
- Accumulated depreciation of deletions to the asset
- Proceeds from asset sale
- Profit or loss out of sale of asset

Response of Management: the foregoing recommendations will be implemented as soon as possible.



2-2 Numbering of Property and Equipment

Note: Properties and equipment are not numbered to facilitate identification and comparison with the records when making the periodic inventory

Recommendation: Property and equipment should be numbered to increase control and for easy reference and comparison

Response of Management: The recommendation will be carried out as soon as possible.

2-3 Periodic Inventories of Property and Equipment

Note: No periodic inventories are made to the property and equipment and thus the actual existence may not be verified and also may not be compared to the records and accounting books of the company.

Recommendation: A periodic inventory of property and equipment should be made and the necessary minutes should be prepared to facilitate comparison with the accounting records in order to increase control over them.

Response of Management: The foregoing recommendation will be carried out as soon as possible.

2-4 Capital and Revenue Expenditure:

Note: Lack of a clear written policy to differentiate between capital and revenue expenditure.

Recommendation: Such policy should be carried into effect with a view to ensure validity of the accounting orientation and to achieve stability principle in processing expenses.

Response of Management: The recommendation will be carried out as soon as possible.

3- Procurement

3-1 Purchase Request Form

Note: Purchase requests are not being used by the applicant for property and equipment which results in buying items without knowledge of the department that made the purchase.

Recommendation: Purchase applications should be obtained by the applicant following approval of the top management in line with the internal control regulations.

Response of management: The recommendation will be carried out as soon as possible.



3-2 request for proposals

Note: There is no request for at least 3 proposals when buying property and equipment which would cause possible purchase at greater price.

Recommendation: More than one proposal should be requested when buying property and equipment to ensure purchase at lowest price to preserve the company funds.

Response of Management: The recommendation will be carried out at the beginning of 2017.

3-3 Purchase Order Form

Note: No purchase order form is used to buy property and equipment which may cause purchase of repeated items or buying items not in conformity with the required specifications.

Recommendation: Purchase orders of property and equipment should be carried into effect in line with the purchase of fixed asset policy and subject to the internal control regulations.

Response of management: The recommendation will be carried out at the beginning of 2017.

3-4 Protocol of receipt of purchases:

Note: Absence of protocol of receipt of purchases which may cause non-conformity with the supplier's invoice

Recommendation: Protocol of receipt form of all company purchases should be set up this gives rise to matching the received brands with the supplier's invoice and to question about differences within the protocol, if any, between the received items and the invoice.

Response of Management: To apply the above recommendation as soon as possible.

4- Administrative and Accounting Information Systems

4-1 Bonds Carrying Over

Note: The person who prepares the bonds has been noted to be the same person who carries them over to the computer. In addition, there is no written approval by the financial manager to do so.

Recommendation: Segregation of tasks for preparing bonds from those for carrying over in line with segregation of duties principle. A statement of bonds before carrying over should be printed and such statement to be approved by the financial manager to signify consent.



Response of Management: The above recommendation will be carried out beginning 2017.

4-2 Amendment of Carried Over Bonds to the Accounting System

Note: Through our audit to the accounting system we found out that movements carried over to the accounting system may be amended by entering to the original bond and changing particulars without showing reasons of amendment of writing off which would impair control over the bonds.

Recommendation: The accounting system is recommended to be activated by established bond transfer having been audited by an order of the financial manager that would lead to inability of any person to access the bond for amendment or to manipulate it; controlled affirmation of bond transfer and kept abreast to avoid any undue amendment or those not approved by the management. When necessary to amend the bond, this action should be done under amendment restrictions showing reasons for amendment or cancellation in a regulatory manner approved by the management.

Response of Management: The above recommendation will be carried out beginning 2017.

5- Control over the IT systems

Note: A study designed to evaluate control instruments in connection with information protection is not conducted. The study intends to identify how efficient the used system is based on the work requirements. Lack of the study and comprehensive evaluation may negatively affect ability of the management to manage the risks of fraud and error inherent in the computer environment and would affect its ability to provide the necessary protection to the information in the used system

Recommendation: A comprehensive study designed to evaluating the information protection- related control instruments should be conducted.

Response of Management: We believe the recommendation is greater than volume of work in the company.

6- Seals

6-1 "carried over" stamp

Note: Through auditing the bonds, we found out that the "carried over" stamp is not used.

Recommendation: We recommend all entered bonds should be "carried over" stamped to prevent re-entry.



Response of Management: The above recommendation will be carried out beginning 2017.

6-2 "Paid" Stamp

Note: Through our audit of bonds we found out certain supporting documents are not "paid" stamped.

Recommendation: All documents should be "paid" stamped to prevent reimbursement once again

Response of Management: The recommendation will immediately be applied.

6-3 "Pay to the First Beneficiary" Stamp

Note: Some checks are not "Pay to the first beneficiary" stamped.

Recommendation: All checks issued by the company should be "pay to the first beneficiary only" stamped to increase internal control over the cash.

Response of Management: The above recommendation will be carried out beginning 2017.

7- Written accounting and financial system

Note: The Company lacks a written accounting and financial system.

Recommendation: An accounting financial system is recommended to be used to address all accounting and financial issues, in particular a guide to company accounts showing account numbers, nature, method of classification, compilation and the books and documents to be used in carrying out daily duties to control business administration and to eliminate personal judgment, to identify responsibilities and to take timely decisions so that the system is consistent with the company activity.

Response of Management: We have already a written financial system to be updated in accordance with the latest developments of business.

In conclusion, we take this opportunity to express our thanks and appreciation for your kind cooperation during our mission. Kindly asked to go through our recommendations carefully and to provide us with the expected measures to be taken, thanking you for your confidence in our company.

