

RASHEED FOR INTEGRITY AND TRANSPARENCY
LIMITED LIABILITY COMPANY
AMMAN-THE HASHEMITE KINGDOM OF JORDAN

MANAGEMENT LETTER
FOR THE YEAR ENDED DECEMBER 31, 2017

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Amman, June 21, 2018

Messrs. Rasheed for Integrity and Transparency
Limited Liability Company
Amman - The Hashemite Kingdom of Jordan

Subject: Financial Statements for the Year Ended December 31, 2017

With reference to the subject above and through the test review we conducted for the accounting records and journals and the internal control until its date, we observed certain notes in the internal control structure that could affect the company's ability to verify what is recorded in its journals and accounts and to summarize and report financial data consistent with the assertions of management in the financial statements.

Our consideration of the internal control structure was solely for the purpose of determining our audit procedures. It was not designed to provide assurance on the internal control structure and would not necessarily disclose all matters that might be considered weaknesses. In addition, because of the inherent limitations in any internal control structure, errors or irregularities, including fraud, may occur and not be detected by such control structure.

Very truly yours,

Talal Abu-Ghazaleh & Co. International



Aziz Abderlkader
Executive Director



Our notes and recommendations is as follows:

1. Cash on hand and at banks

1.1 Insurance policies on cash on hand, cash in transit and those involved with cash

Observation:

No insurance policy on cash on hand, cash in transit or those involved with cash. In addition to the lack of guarantees on them.

Recommendation:

We recommend that such policy be found, and bank guarantees be made on those involved with cash in order to preserve the company's money.

Management comment:

Large amounts of money are not kept in cash on hand.

1.2 Guarantees on those who are involved with cash

Observation:

Guarantees are not made for all those involved with cash for example but not limited to, the cashier.

Recommendation:

We recommend that guarantees be made on all those involved with cash in order to preserve the company's money.

Management comment:

Large amounts of money are not kept in cash on hand.

1.3 Imprest system of petty cash

Observation:

During the course of our audit, we noted that reimbursement of fund is not requested when the cash is below the required amount (JD 200) based on the company's financial system.

Recommendation:

We recommend to apply the company's policy of petty cash entirely.

Management comment:

The recommendation will be applied in 2018.

2. Property and equipment

2.1 Detailed register for fixed assets

Observation:

The company does not maintain a register of all property and equipment.

Recommendation:

We recommend that the company establish and maintain a fixed asset register covering the following:

- Name of the asset.
- In case of motor vehicles, identification number.
- Nature of the asset.
- Location of the asset.
- Name of the supplier.
- Asset reference number.
- Depreciation method.
- Depreciation rate.
- Cost of assets at the purchase date.
- Additions and disposals during the year.
- Cost at the end of each year.
- Depreciation charge for each year.
- Accumulated depreciation at the end of each year.
- Net book value of the asset at the end of each year.
- Accumulated depreciation on the disposals of the asset.
- Proceed from the sale of the asset.
- Profit or loss on the sale of assets.

Management comment:

The recommendation will be applied in 2018.

2.2 Tagging for property and equipment

Observation:

Property and equipment of the company do not carry reference tags, which facilitates identification and comparison with the records when conducting the periodic physical count.

Recommendation:

We recommend that procedure should be established to require tag numbers to be affixed to all property and equipment in order to assist the company in tracking its property and equipment and facilitate identification and comparison with the records.

Management comment:

The recommendation will be applied in 2018.

2.3 Periodic physical count

Observation:

The company does not conduct periodic property and equipment count to verify the existence of its property and equipment and compare it to what is recorded in the company's accounting journals and records.

Recommendation:

We recommend that periodic physical count of property and equipment be implemented. In addition, prepare the necessary reports and compare them with the accounting records in order to enhance control.

Management comment:

The recommendation will be applied in 2018.

2.4 Capital and revenue expenditures

Observation:

There is no specific written policy to distinguish between capital and revenue expenditures.

Recommendation:

We recommend that such policy be found in order to verify the accounting treatment and the consistency in expenditures processing.

Management comment:

The recommendation will be applied in 2018.

3. Purchases

3.1 Purchase order form

Observation:

Purchase order forms are not used by the ordering department when purchasing property and equipment, which may cause the possibility of purchasing items without being able to identify the ordering department.

Recommendation:

We recommend getting purchase order from the department requesting the purchase after approval of higher management to conform with internal control.

Management comment:

The recommendation will be applied in 2018.

3.2 Procurement receipt record

Observation

There is no procurement receipt record for the company's purchases, which may cause the possibility of not conforming the received items to the supplier invoice.

Recommendation:

We recommend having procurement receipt forms for all the company purchases, which leads to conform the received items to the supplier invoice and inquire about the differences in the goods receipt- if any- between the received items and the supplier invoice.

Management comment:

The recommendation will be applied in 2018.

4. Management and accounting information system

4.1 Journal entries posting

Observation:

Based on our review to journal entries cycles followed in the company, we noticed that the person who prepares the journal entries is the same person who posts them to the accounting system. In addition, there is no written approval by the financial management for posting.

Recommendation:

We recommend that preparing documents are segregated from the posting function, in order to conform with the principle of segregation of duties, in addition to print a statement of pre-posted vouchers in order to indicate the approval of the financial manager on posting.

Management comment:

In our opinion, this recommendation is bigger than the workload of the company.

4.2 Adjusting journal entries posted to the accounting system

Observation:

Based on our review of the accounting system, we realized the ability to adjust the posted transactions by editing the journal entry and change its information without specifying the reason for the change or the removal, which weakens the supervision on journal entries.

Recommendation:

We recommend activating the accounting system in use to conform the posted journal entries after being audited by the financial manager, which leads to the inability for any person to adjust or manipulate journal entries. Furthermore, to supervise the posting of journal entries moment by moment for avoiding unreasonable and unapproved adjustments by management, and if some adjustments on accounts are needed, it should be done by making adjusting entries and justifying the reasons for adjustment or reversal in an orderly manner and approved by the management.

Management comment:

In our opinion, this recommendation is bigger than the workload of the company.

5. Control over Information technology

Observation:

There is no study aims to evaluate control instruments related to information preservation, determine efficiency and adequacy of the system in use by relying on the business needs. Whereas, not conducting such study nor comprehensive evaluation may adversely affect the management capability to manage risks resulting from fraud or error in a computing environment, as may affect its ability to provide the necessary security for information within the system in use.

Recommendation:

We recommend that a comprehensive study be conducted which aims to evaluate the control instruments related to protection of information.

Management comment:

In our opinion, this recommendation is bigger than the workload of the company.

6. Stamps

6.1 "Posted" stamp

Observation:

Based on our review of journal entries, we realized that journal entries are not stamped with "posted".

Recommendation:

We recommend that all posted journal entries to the accounting system be stamped with "posted" in order to prevent re-posting to the accounting system.

Management comment:

This recommendation will be applied in 2018.

6.2 "Paid" stamp

Observation:

Based on our review of journal entries, we realized that some of the paid invoices and claims are not stamped with "paid".

Recommendation:

We recommend that all the paid invoices and claims be stamped with "paid" in order to prevent duplicate payments.

Management comment:

This recommendation will be applied in 2018.

At the end, we take this occasion to express our appreciation and gratitude for your employees' cooperation with us during our mission, hoping you study these notes with all interest and provide us of the procedures your will take. We appreciate your precious trust in our company.