Management comments and recommendations

Rasheed For Integrity and Transparency

31 December 2018

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working world

Ernst & Young Jordan
P.O. Box 1140
300 King Abdulla Street
Amman 11118
Jordan
Tel:00962 6 580 0777 /00962 6552 6111
Fax:00962 6 5538 300
www.ey.com

To the Board of Directors

15 June 2019

Rasheed for Integrity and Transparency

In planning and performing our audit of the financial statements of Rasheed for Integrity and Transparency (the Company) as of and for the year ended 31 December 2018, in accordance with the International Standards on Auditing , we considered its internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

During our audit, we identified certain internal control deficiencies, opportunities for improvement of your internal processes and business operations and other matters. These recommendations are attached and are limited to items that we identified during the audit up to 30 May 2019.

This communication is intended solely for the information and use of management and the Company and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss any of the matters contained within this letter or to respond to any questions, at your convenience.

Ernst & Young

A. M. Abushaaban

Maher Abushaaban

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Internal Controls

1. Implement segregation of duties

Observation

The Company has one accountant who handles all accounting and finance matters. This caused lack of segregation of duties in the following areas:

(a) The preparation and posting of the Company's journals;

(b) The preparation of the monthly bank reconciliations; and

(c) The preparation and issue of credit notes;

Lack of segregation of duties increases the risk that intention and unintentional error to occur without being detected on timely basis.

Recommendation

Where there are a limited number of accounting personnel, the lack of segregation of duties should be compensated by the close review and supervision by the executive director (ED). The ED should review the monthly financial statements closely to ensure that the information is consistent with her understanding of the business activities and investigate any results that differ from expectations. She should sign the financial statements as evidence of that review. In addition, she should do a spot check review of the Company's journals, bank reconciliations, payroll, and credit notes for any unusual or unexpected items on a regular basis.

Management's Response

The Executive Director currently supervises and reviews financial statements and bank reconciliations, does a spot check with regards to credit notes, payroll, and journals; however, signing them will be implemented in 2019.

2. Implement controls over access to data

Observation

We have noted that accounting application used allows amendments of posted entries without any audit trail of such amendment or documented authorization. Accordingly, there is a risk of unauthorized and inappropriate access to accounting records or risk of making changes to already posted accounting records without being prevented or detected on timely basis.

Recommendation

The Company's user access administration processes should be reviewed and enhanced. Nonauthorized access to posted accounting records should denied and prevented. Any amendment to posted record should be executed by cancelling the original entry and making a new entry with appropriate documentation.

Management's Response

We do not agree with the observation in its entirety. While amendments can be made, there is a clear and trackable audit trail, and every change is made in the accounting software is trackable. Once Rasheed adds additional staff to its operations, another approval level will be added.

3. Review of bank reconciliations by individual independent of preparer

Observation

The Company performs monthly bank reconciliations; however, the reconciliation is not reviewed and approved by an individual independent of the preparer. Without an appropriate review and approval of bank reconciliations, it is possible that errors go undetected or reconciling items go unaddressed timely. This can lead to fraud or error not being detected on a timely basis which could result in losses of cash and inaccurate financial reporting.

Recommendation

Management should designate an appropriate individual to review the bank reconciliations on a timely basis to ensure that reconciliations are done regularly and properly. The reviewer should be an individual independent of the preparer. The change in process should include a monthly worksheet listing all of the Company's bank accounts that will serve as a control sheet. The sheet should track the dates at which bank reconciliations have been prepared and reviewed. To improve accountability, management should initial the reconciliation as evidence of review.

Management's Response

The Executive Director reviews bank reconciliations every month; however, signing them as well as prepare a control sheet will be implemented in 2019.

4. Record depreciation on property, plant, and equipment

Observation

The Company does not calculate depreciation throughout the year and only adjusts for depreciation based on our audit adjustment at year end. Monthly results and interim management reports are therefore inaccurate.

Recommendation

Management should account for depreciation monthly to ensure that the interim financial statements and reports are accurate. Management may consider using a fixed asset register for effective and efficient closing accounting period process.

Management's Response

There is a register and it is calculated annually. Will implement in 2019 to calculate on monthly basis.

5. Integrate the general ledger and the fixed asset register

Observation

The Company does not maintain a fixed asset register that is integrated with the general ledger. It is difficult and time consuming to reconcile the fixed asset register with the general ledger for additions, disposals and depreciation.

Recommendation

The Company should establish and maintain a fixed asset register covering significant asset groups that is integrated with the general ledger. The following information should be maintained, as a minimum, for each asset:

- Identification number (if available)
- Description
- Location
- Date of acquisition / date placed into operation
- Original cost
- Accumulated depreciation
- Custodian
- Depreciation method to be applied
- Depreciation rate
- Estimated surrender value

The implementation of the fixed asset register will improve the accuracy of accounting for fixed assets and the efficiency of operations and help in controls over fixed assets.

Management's Response

There is a fixed asset register with information mentioned above and will be integrated with the general ledger in 2019.

6. Review of back dated journal entries

Observation

During the year, there was a delay in posting transactions which may have resulted in inaccurate interim financial reports.

Recommendation

Management should review all entries where the posting date is greater than one month from the effective date of the journal entries. All such entries should be reviewed and authorized by management to ensure that they were properly authorized and posted into the correct period.

Management's Response

Executive Director reviews postdated journals; however, due to the size of the company we only have one accountant to post the journals.

7. Extensive adjustments at year end and throughout the annual audit process

Observation

There were a large number of adjusting entries posted to arrive at the final balances in the financial statements during the 2018 annual audit. The large number of year-end adjustments identified through the audit process is an indicator that the accounting processes and controls require improvement. In addition, management may be making decisions or relying on interim financial information that are not complete and accurate.

Recommendation

Management should analyze identified year-end adjustments to understand the nature and cause of each adjustment. Action should be taken to ensure any recurring adjustments are addressed through additional or modified processes so that the errors giving rise to these adjustments do not occur in the future or are otherwise detected and adjusted on a timely basis (e.g., monthly). In addition, the Company should define the roles and responsibilities of the accounting team so as to ensure that proper reviews of the financial statements, general ledger, sub–ledgers and account reconciliations are performed at closing to reduce the number of year-end adjustments.

Management's Response

Since we only prepare financial statements once a year its normal to make adjustments at year end. Al though we will consider that adjustments will be made on quarterly basis in 2019

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