Management comments and recommendations

Rasheed For Integrity and Transparency

31 December 2020

Building a better working world

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THE BOARD OF DIRECTORS
Rasheed For Integrity and Transparency
Amman - Jordan

In planning and performing our audit of the financial statements of Rasheed For Integrity and Transparency as of and for the year ended December 31, 2020, in accordance with the International Standards on Auditing, we considered internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company internal control.

During our audit, we identified certain internal control deficiencies, opportunities for improvement of Company's 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 29 June 2021. Company Management's written responses to the deficiencies and other matters identified in our audit was not subject to auditing procedures.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

This communication is intended solely for the information and use of management, those charged with governance and others within Rasheed For Integrity and Tranparency 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.

Yours faithfully,

Ernst & Young

By: Maher Abu Shaaban

Partner

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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

Since we have limited activity span and budget, the workload does not require an additional accountant. In addition, the company's budget is low to hire an additional accountant.

O. Salah

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

Observation

There were many adjusting entries posted to arrive at the final balances in the financial statements during the 2020 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 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 it is normal to make adjustments at year-end. We will consider less adjustments in 2021.

O. Salah

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