**INTERNAL CONTROL**

Appendix 2 - Internal Control Systems.

**Sales, Accounts Receivables and Cash Receipts**

Room Sales

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| **Control Deficiencies** | **Control Recommendation** |
| Lack of segregation of duties: As the revenue director is responsible for both the approval and publication of room prices, this indicates a lack of segregation of duties. This means that the revenue director has control over the entire process, this could result in unauthorised or inappropriate prices being set.  Potential for biased decision: As the revenue director has authority to both approve and publish the room prices, there is a risk of biased-decision making.  Personal interest may influence the prices set, this could result in additional costs to the hotel, impacting the hotel’s profitability. | The management should segregate the duties for approval and publication of room prices by assigning different individuals to the 2 roles.  Management should set authorisation limits for the revenue director to ensure there are no unauthorized pricing decisions being made. |
| Lack of reconciliation - The second statement doesn’t mention any clear processes of reconciliation in place for payments received.  As reconciliation is a key control that ensures balances are accurate and complete, the lack of reconciliation increases the risk that errors will not be spotted on a timely basis.  This could result in the misstatements of payments or receivables. | The receivables/payments ledger control account be reconciled on a regular basis, such as monthly, to identify any errors which should be investigated and corrected.  The reconciliations should be reviewed by a responsible official and they should evidence their review by a signature.  Reconciliation should be performed by a separate individual/department that is independent ot the payment handling process, this segregation of duties helps ensure unbiased and accurate reconciliation. |
| All confirmed booking requests must be supported by Confirmation of Booking. Copy of the Confirmation of Booking shall be sent by Reservation officer to the guests for check-in purposes  All confirmed booking requests are supported by confirmation of booking, and a copy of confirmation of booking is sent by reservation officer to the guests for check-in purposes, however, there are no controls in place to verify the identity of guests or authenticity of booking confirmation.  This increases the risk of accepting fake or unauthorised confirmation, resulting in unauthorised access to hotel rooms or services. | Management should implement procedures to verify the identity of guests upon check-in, such as requesting identification documents or match guest details with booking confirmations. |
| Cancellation made by guests are updated by the Reservation officer on the system, however there are no checks or reviews made.  As the updates are made manually by the reservation officer and there are no checks in place, there is a risk that errors are not identified on a timely basis, resulting in guests cancellation not being updated correctly and guests may be inappropriately charged, resulting in loss of customer goodwill. | Segregation of duties should be implemented, whereby the reservation officer should be responsible for updating cancellations and another individual should be responsible for reviewing and approving the cancellation updates to ensure that is correctly made. |
| Daily check-in reports are generated for the guest service agent by the reservation officer, however it not reviewed or approved.  Without a reviewal and approval process, there is a risk of incorrect or incomplete information being included in the report, leading to inaccurate guest records and ultimately loss of customer goodwill. | Management should implement procedures for reviewing and approving the Daily-Check in reports being it is considered final to ensure information are accurate and complete. |
| For NO SHOW, all registration cards shall be marked by Guest Service Agent and approved by the Front Office Manager, however, there is no mentions of any verifications procedures to ensure that this process is being consistently followed.  The absence of such verification procedures increases risk of errors or unauthorised actions being undetected, leading to potential inaccuracies in guest records and ultimately loss of customer goodwill. | Management should establish clear verification procedures for handling NO SHOW cases. Furthermore, they should also document the procedure to ensure consistent application of said procedure. |
| For cash held by Guest Service Agent, on each shift, and cash transactions report shall be verified by Front Office Manager, however, there are no segregation of duties in place for the cash handling processes, this increases the risk of potential errors or fraud going undetected. | Management should implement segregation of duties in the cash handling process to ensure independent checks. They should assign different individuals to be responsible for the receipt, recording, and reconciliation of cash transactions. |

Banquet and Event Sales

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| **Control Deficiencies** | **Control Recommendation** |
| Only one copy has been sent to customers by the admin & general division . there will be no reference for the sales & marketing division in order to chase for payment from the customer.  This will lead to payment receive is misstated and will affect the sales revenue been understated if payment was made lesser than it supposed to be ,while lose of customer goodwill if payment is made higher than usual. | The finance director should introduce a new procedure where sales invoice should be sent by multiple copy and sent to sales & marketing division. As they can match it with the payment receipt by customers .  The sales manager should review the payment receipt to the invoiced issued by admin & general division and remark the review by way of signature . |
| Confirmed quotation only been notify to event manager in order to proceed with the events order. admin & general division will not notice whether there is new order coming in , and no invoice will be issued  Payment from customers will be in delay as invoiced was sent late . this will also effect the working capital cycle as payables days will increase and will increase finance cost . | The sales manager should notify and sent a copy of confirmed quotation to the admin & general division as the invoiced can be issued in a timely manner .  Responsible official should match the confirmed quotation to the invoiced issued to ensure there is no invoiced being omitted. |

Restaurant Sales

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| **Control Deficiencies** | **Control Recommendation** |
| Meals vouchers of complimentary meals are provided for hotel and banquet guests upon entering the restaurant. There is a risk of untitled customers receiving the voucher as there are no proper controls. | The restaurant staff can set up a control of which hotel and banquet guests need to present proper documentation to ensure only valid guests are entitled for the voucher. |
| All sales by credit card shall be checked against the remittance report from the Bank by the Admin & General Division – Finance. There is a floating time for every credit sale through the bank. There is a difference between the account balances and credit sales. | Sales and finance the department should determine the amount of sales is correct and matched back with the bank statements. |
| Cash collected will be banked in at daily cut off time by the Admin & General Division - Finance. There is a risk that the sales will still happen after the cut-off time. The restaurant needs to make sure that the sales have stopped and sum up the sales of the day. | The restaurant managers need to ensure all sales are finished after the cut-off time and collect all sales of that day to be banked in by the finance officer. |

Purchase Procedures

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| **Control Deficiencies** | **Control Recommendation** |
| When making the purchase requisition, they do not check the current inventory level in the warehouse. This can make them difficult to process this obsolete and damaged inventory on a timely basis. | The purchase requisition should be matched to inventory levels prior to checking by the Head of division |
| Upon confirmation of the state of goods or services to be acceptable, Delivery Orders and Invoices shall be transferred to Admin & General Division – Purchase. They don’t reconcile the GDN with the purchase order and purchase invoice. This can lead to the unfulfilled orders. Besides, the unmatching documents can make the company lost the early settlement discount and supplier’s goodwill | There should be 3 parts distributed to purchase order department, warehouse and account/finance department.  Inspect the unfulfilled orders to observe the changing status from the company and discuss with management any discrepancies |

**Payment Procedures**

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| **Control Deficiencies** | **Control Recommendation** |
| Accountant approved the payment voucher prepared by the accounts executive ,which is accountant is not sufficiently senior or experience to approved the payment .  Payment could be misstated as if payment was overstated it will increase the expense cost and if payment was understated SP hotel will loss customer goodwill. | Finance director should undertake the approval of payment vouchers as it will be more reliable and sufficiently senior. |