**Management Letter**

Young Water Anderson

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Jalan Tun Razak,

53000 Kuala Lumpur

June 14, 2023

Board of Directors

ST City Hotel (M) Sdn Bhd

Level 1, Lot 188,

Jalan Sultan Ismail,

Wilayah Persekutuan,

50250 Kuala Lumpur

To the Board of Directors, ST City Hotel,

In planning and performing our audits of the financial statements of ST City Hotel Sdn Bhd for the year ended June 20, 2023, in accordance to International Standard Auditing, we considered the company’s internal control over its financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ST City Hotel’s internal control. Accordingly, we do not express an opinion on the effectiveness of the ST City Hotel’s internal control.

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. During our audit, we noted certain matters involving internal control and other operational matters that are presented in Exhibit A for your consideration, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies.

Our audit procedures are designed primarily to enable us to form opinions on the financial statements, and therefore may not bring light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the ST City Hotel organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

The purpose of this letter is solely to describe comments and recommendations intended to improve internal control or result in other operating efficiencies. Accordingly, this letter is not suitable for any other purpose.

Yours faithfully,

Young Water Anderson



**EXHIBIT A**

**DEFICIENCIES FOUND IN THE SALES, ACCOUNT RECEIVABLES AND CASH RECEIPTS.**

**ITEM 1**

It was found that 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, which could result in unauthorized or inappropriate prices being set.

**WHAT WE RECOMMEND TO IMPROVE THE INTERNAL CONTROL ON THIS AREA**

The management should segregate the duties for approval and publication of room prices by assigning different individuals to the 2 roles.

The management should also set authorization limits for the revenue director to ensure there are no unauthorized pricing decisions being made.

**ITEM 2**

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.

**WHAT WE RECOMMEND TO IMPROVE THE INTERNAL CONTROL ON THIS AREA**

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.

**DEFICIENCIES FOUND IN THE PURCHASE PROCEDURES**

**ITEM 3**

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.

**WHAT WE RECOMMEND TO IMPROVE THE INTERNAL CONTROL ON THIS AREA**

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