

TETLEY CLOVER (PRIVATE) LIMITED

REVIEW OF INTERNAL CONTROLS

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OVERVIEW OF THE COMPANY

Tetley Clover (Private) Limited (TCPL), a company formed and incorporated under the laws of Pakistan, commenced its operations in 2003. The company is a joint venture between Siza Services (Private) Limited (a Lakson Group Company) (Pakistan) and Tata Tea (GB), United Kingdom (formerly known as Tetley Overseas Holding Limited, United Kingdom). The scope of its operations are limited to territories within Pakistan.

We have been given to understand that all financial and operating decision making is exercised by the local management with close co-ordination and monitoring from Tetley UK. The company is involved in the import, blending, packaging, marketing and selling of Tetley Tea in Pakistan while the raw tea procurement is carried out by Tetley UK on behalf of TCPL. Currently, the company has following tea variants in its product portfolio:

- Patti
- Dust
- Tetley Gold (tea bags)

The company has arranged its organisational structure according to the nature of activities being carried out. The Departmental Heads report directly to the Managing Director and are also members of the company's Co-ordination Committee. The Co-ordination Committee is responsible for planning and co-ordinating activities of different functions and meets every month to chalk out sales, production, marketing and logistic plans for the upcoming month. The activities of the company, classified into various functions, are as follows:

- Procurement;
- Production & Warehousing;
- Selling & Distribution;
- Marketing; and
- Administration, Finance and Treasury.

The company has outsourced the Payroll, Taxation, IT and Corporate Compliance functions to SIZA Services (Private) Limited (a group company and the joint venture partner) under a service agreement.

TCPL has divided its sales & distribution network into seven zones within Pakistan i.e. Karachi, Hyderabad, Lahore, Sukkur, Multan, Faisalabad and Islamabad. Selling and distribution activities at Karachi, Hyderabad, Lahore and Islamabad locations are carried out by Clover Pakistan Limited (CPL) (another group company) whereas the remaining locations are operated by TCPL. Both the companies provide services to each other, through a service agreement, from their respective domains.

We have been given to understand by the management that the company is still in the phase of developing its internal policies and procedures and as such, most of the policies currently in place are implied rather than being formally documented in the form of Standard Operating Procedures. Such implied policies and procedures are manifestation of the initially adopted internal control and reporting procedures subsequently modified to introduce controls which the management considered necessary to have and to accommodate for the changing environment.

Currently, the company does not have an integrated information system in use, and the activities which are automated in an integrated information system environment are carried out by the management manually while most of the information processing needs including the maintenance of sub-ledgers are fulfilled through Microsoft Excel and Microsoft Word. However, the company uses following standalone applications for some of its functions:

- **Sales Order Processing (SOP) System** is a Visual Basic based propriety software of SIZA (Private) Limited (SIZA) which reserves the right to update, upgrade and customise the software. TCPL has acquired right to use the software through a service agreement in this regard.

SOP is deployed at the Head Office with replica-child interfaces being operated at Zonal Offices. The system is used for recording and processing transactions pertaining to finished goods warehousing, sales ordering, invoicing & despatching, off and on invoice discounts and for maintaining debtor balances. The system also works as a sub-ledger for sales, discounts and debtor balances, and is used for updating GL on monthly basis.

- **Payroll Processing (PP) System** is a FoxPro based payroll processing system owned by SIZA (Private) Limited which also provides payroll processing services to TCPL through a service agreement in this regard. The system maintains both master and current payroll data which is used for calculating monthly payroll information, which is sent to TCPL for salary disbursement and recording in GL.
- **General Leger Module** – The general ledger of the company is maintained on a SIZA owned accounting software. All entries in the system are manually posted.

SCOPE OF WORK

We have carried out an internal audit review of controls of Tetley Clover (Private) Limited as per agreed scope. This consisted of a review of:

- i. Compliance with the management policy;
- ii. Operational effectiveness of controls;
- iii. Adequacy of segregation of duties and delegation of authority;
- iv. Review of policies around roles and responsibilities of key personnel; and
- v. Safeguarding of assets

through performance of the work in the areas of:

- Accounts and Administration;
- Authorities;
- Cash and Expenses;
- Commercial / sales transactions;
- Promotional expense accounting;
- Payroll;
- Management and control of Assets; and
- Management reporting

Activities, carried out by Tetley UK on behalf of TCPL, relating to procurement of raw tea have not been subject to our review.

OUR APPROACH

The review has been carried out by obtaining the understanding of the current business processes and operations of the company by interviewing the relevant employees of the company along with the perusal of related documents, which are presented in the form of narratives as well as in the form of flow charts.

Considering the agreed scope of the work and using our audit knowledge and experience, control objectives were determined for each of the relevant business processes under review and for the purpose of meeting such control objectives, control activities were identified using our understanding of the business along with the input from the management, which were subsequently validated through observation and performance of walk-throughs on sample of transactions, as documented in 'Business Control Matrix (BCM)' section of the report. Accordingly, point number (i) to (iii) and (v) of the scope were covered through the BCM.

As the company does not have documented Standard operating Procedures (SoPs) and most of the internal control policies established at operational level are implied, for the purpose of identifying deficiencies in internal control design, we have assumed such implied policies as the company's adopted internal control policies.

The review has resulted in identification of control gaps from the specified control objectives along with the operational weaknesses in implementation of such controls in respect of which management comments have also been obtained and included in this report along with our recommendations thereon.

CAVEATS

Although we performed our review with due professional care, an internal audit review is not a guarantee that all of the control gaps and weaknesses existing in business processes have been identified.

This report has been issued by us solely for the use of and for the information of Tata Tea (GB), United Kingdom. The contents of this report shall not be used for any other purposes and disclosed to any third party without our consent. However, if the contents of this report are disclosed we shall not be responsible for any liability that may arise.

The work conducted by us does not constitute an audit or review of financial statements and accordingly the report should not be construed to constitute an assurance opinion.

AUTHORITIES

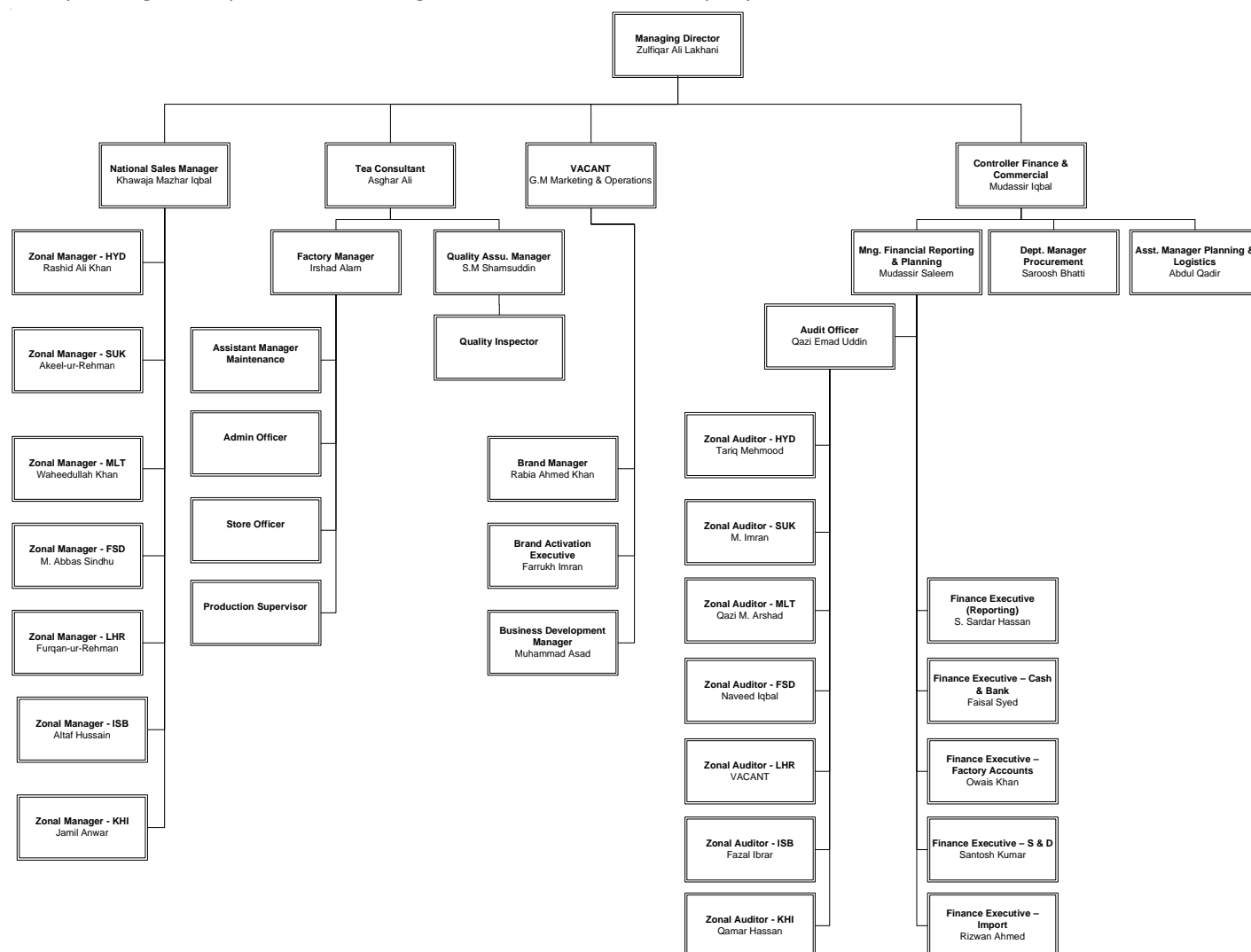
Authorisation levels for approving bank payments, authorisation of expenses, authorisation of capital expenditures and signing of agreements exists and are properly documented. However, apart from the aforementioned authorisation policies, the company does not have a formally documented Standard operating Procedures (SoPs) which would delineate function wise accounting policies, business procedures and policies regarding segregation of duties and authority levels.

Procedures and authorisation levels followed by the company in its operation has been understood by us through inquiries with the management and observation and validation of the processes. The same has been documented and evaluated in 'Business Process - As-Is' and 'Business Control Matrix' sections.

POLICIES AROUND ROLES AND RESPONSIBILITIES OF KEY PERSONNEL

Management does not have any documented policy in place for determining the roles and responsibilities of key management personnel. The departmental heads are responsible for the activities carried out by their respective departments and are actively involved in managing day to day affairs of the company and coordinating with other functions within the company through their representation in the company's coordination committee.

Accordingly, for the purpose of our review we have identified the Managing Director and all the departmental heads as key management personnel. The organisation chart of the company is as under:



TETLEY CLOVER (PRIVATE) LIMITED REVIEW OF INTERNAL CONTROLS

EVALUATION OF CONTROL GAPS

CONTROL WEAKNESS IDENTIFIED

STANDARD OPERATING PROCEDURES (SoPs) WITH REGARD TO ACTIVITIES PERFORMED ARE NOT DOCUMENTED

BACKGROUND AND OBSERVATION

The company does not have any documented SoPs in place that defines business procedures and practices and segregation of duties. However we have been given to understand that the management is in the process of documenting and implementing such SoPs.

IMPLICATIONS

- Lack of standard procedures might make business procedures and practices prone to errors.
- Management might not be able to exercise control since the yardstick to measure the performance would not be available.

IMPACT

High

RECOMMENDATIONS

SoPs be developed and documented by the management

MANAGEMENT COMMENT

Process based system flows and narratives prepared by the company have been shared with the auditors. Though, they need to be documented formally.

CONTROL GAP IDENTIFIED

POLICY AROUND ROLES AND RESPONSIBILITIES OF THE KEY MANAGEMENT PERSONNEL IS NOT DOCUMENTED

BACKGROUND AND OBSERVATION

We have been given to understand that the company does not have a documented policy for determining the roles and responsibilities of key management personnel. Further, we have noted by reviewing the organisation chart and by observing day-to-day operations of the company that the matters relating to finance and treasury, procurement and administration are being looked after by the FC.

IMPLICATIONS

- Lack of segregation of duties
- Key roles may be assigned to persons not having the required level of competence.

IMPACT

High

RECOMMENDATIONS

Policy around roles and responsibilities of the key management personnel be formally developed and documented.

MANAGEMENT COMMENT

All the key appointments are made with the consultation of Joint Venture partners. We have JD (Job description) for each key management personnel available with us according to which they are performing their respective roles and duties.

CONTROL GAP IDENTIFIED

CRITICAL FINANCIAL RECORDS ARE MAINTAINED IN FORM OF MICROSOFT EXCEL BASED SPREADSHEETS

BACKGROUND AND OBSERVATION

Currently, the company does not have an integrated information system in use. Following stand alone system are currently being operated by the company:

- Sales Order Processing system (SOP) - Sales & Distribution function
- Payroll Processing System - Payroll function
- General Accounting System - Finance and Treasury function

Other than the aforementioned standalone systems, most of the information processing needs are fulfilled through Microsoft Excel based spreadsheets and some critical financial records, including inventory records, stock valuation, cost of goods sold computations and Fixed Asset Register (FAR), are maintained on Microsoft Excel based spreadsheets. It has further been observed that there are no passwords protection policies in place for protection of such files against unauthorised access and modification.

IMPLICATIONS

- Excel based sheets are susceptible to unauthorised modifications, loss of data or inaccuracy of calculations.
- Unauthorised modifications to financial records

IMPACT

High

RECOMMENDATIONS

Appropriate information systems be developed to maintain financial records and subsidiary ledgers. Further, till such time the company uses Microsoft Excel, a formal passwords protection policy be developed and implemented to ensure that the same are protected against unauthorised access or modification.

MANAGEMENT COMMENT

We have already started the project of implementing an ERP solution to address this issue. However we would like to mention that our FDC -UK monthly reporting is also excel based which we fill up and sent to UK finance on a monthly basis.

CONTROL GAP IDENTIFIED

SOF NUMBER IS NOT ENTERED IN SOP AT THE TIME OF ORDER PROCESSING; RATHER A SYSTEM GENERATED NUMBER IS ALLOTTED TO EACH SALE ORDER

BACKGROUND AND OBSERVATION

Distributors place their orders with the respective ZO on a pre-printed and pre-numbered SOF. The SOF is then entered into SOP by the SOP operator on the basis of which order of the customer is processed and invoice is generated in the system. We have observed that SOF number of such customer signed SOF is not entered in the system; rather a new system generated number is allotted to each sale order. This implies that sales invoices cannot be easily traced back to the customer signed SOF.

Furthermore, specimen signatures of the authorised distributors' personnel placing the order and acknowledging the delivery of goods are not maintained; accordingly, one-to-one match of the signatures on the documents and the company records cannot be performed to ensure that the same are properly acknowledged by the customers.

IMPLICATIONS

- All sales orders received from the customers may not be processed
- Duplicate processing of sales orders
- Generation of fictitious sales orders and sales invoices

IMPACT

High

RECOMMENDATIONS

- SOF number be entered in SOP and system should restrict multiple entries of a SOF number, further missing SOF numbers be investigated on regular basis
- Specimen signatures of the authorised distributors' personnel placing the order and acknowledging the delivery of goods be maintained and matched with the relevant supporting document to ensure that the same are properly acknowledged by the customers.

MANAGEMENT COMMENTS

We agree with the first recommendation and had informed this issue to our ERP implementation team.

Management will contemplate this recommendation in the light of cost benefit relationship to maintain specimen signatures of hundreds of people for acknowledgment of delivery of goods.

CONTROL GAP IDENTIFIED

INCONSISTENCY BETWEEN THE METHODOLOGY FOLLOWED BY THE COMPANY FOR WORKING OUT COST OF INVENTORY AND THE STATED METHODOLOGY

BACKGROUND AND OBSERVATION

As per the statutory financial statements, the company has adopted First-In-First-Out (FIFO) method for working out cost of inventory items. However, we have observed that raw tea is stored and consumed according to their specific batch numbers which is uniquely assigned to each consignment of raw tea received and such unique identity is used for working out cost of raw tea stock.

This implies that the company follows specific identification method for costing of raw tea which is inconsistent with the inventory costing method stated in the statutory financial statements.

IMPLICATIONS

Non-compliance of stated accounting methodology may result in misrepresentation of statutory financial statement.

IMPACT

High

RECOMMENDATIONS

Inventory costing method followed by the company in respect of raw tea and the adopted costing methodology be consistent.

MANAGEMENT COMMENT

This observation has no implication in monthly FDC reporting to UK finance.

As far as the statutory financial statements are concerned we need to consult external auditors as they are the ones who have recommended it in the past.

CONTROL GAP IDENTIFIED

NO DOCUMENTED POLICY EXISTS FOR THE ELIGIBILITY OF THE DISTRIBUTORS FOR PPD AND SAME IS BEING DETERMINED MANUALLY RATHER THAN THROUGH THE SYSTEM

BACKGROUND AND OBSERVATION

PPD is allowed to distributors if payment for the sales is made within the specified time limit at a specified rate. Eligibility of the distributor for such discount is determined by ZA which is reviewed and approved by AO.

We have been given to understand by the management that no documented policy exists for determining the eligibility of distributors for PPD. However, the management uses a blanket policy of allowing such discounts to distributors who purchase goods on advance or make payments within one day of the receipt of goods.

Further, it is been noted that eligibility of the distributor for PPD is not automatically determined by the system, rather ZA manually computes the same on the basis of information obtained from SOP.

IMPLICATIONS

- Risk of disputes arising in future between the company and distributors due to non-existence of formal agreement
- Errors in applying the intended discount policy
- Human errors in determining the eligibility of the distributor to the discount

IMPACT

High

RECOMMENDATIONS

- Discount policy for eligibility of the distributor for PPD be properly documented and approved. Further, acknowledgement of the documented policy should also be obtained from distributors to ensure that such terms are mutually agreed.
- System based report be developed for computing PPD for distributors, as per the adopted policy.

MANAGEMENT COMMENT

We have got an approved policy of Prompt Payment Discount mentioning the rate at which the discount is credited. However eligibility is industry norms i.e. prompt payment means payment immediately in cash up to 24 hrs of receipt of goods. We feel there is no chance of disputes arising as this PPD is allowed solely at the discretion of the company which reserves the rights to stop it without any notice. We will ensure the calculation to be system based in our upcoming project of ERP implementation.

CONTROL GAP IDENTIFIED

CHANGES IN THE PRICE STRUCTURE AND ON-INVOICE DISCOUNT RATES IN THE SYSTEM ARE NOT REVIEWED BY A PERSON INDEPENDENT FROM THE ONE UPDATING THE SYSTEM

BACKGROUND AND OBSERVATION

Price structure and on-invoice discount schemes are updated in the system by FE-S&D on the basis of approved price structures and approved trade offer letters. Such changes in the master data are not subject to review by an independent person to detect any intentional or unintentional error in such updations.

IMPLICATIONS

- Errors in updations to the master data may not be timely detected.
- Lack of segregation of duties.

IMPACT

High

RECOMMENDATIONS

Changes in the master data in the system be reviewed by a person independent from the one updating the system

MANAGEMENT COMMENT

Finance Manager reviews the system updation by printing a sample invoice and further calculates manually to ensure the authentication of the said changes. However, no official documentation is maintained by the company in this regard.

CONTROL WEAKNESS IDENTIFIED

JOURNAL ENTRIES ARE POSTED IN THE GENERAL LEDGER BEFORE THESE ARE APPROVED BY THE FINANCE MANAGER OR FINANCIAL CONTROLLER.

BACKGROUND AND OBSERVATION

Journal entries are posted in the general ledger by finance executives while the printed vouchers of the same are subject to review by FM or FC. However prior to the approval of such printed vouchers by FM or FC, journal entries have already taken the effect in the journal ledger.

IMPLICATIONS

- Recording of unauthorised entries in the ledger
- Higher management manual control process may become ineffective if vouchers are not presented to the higher management for review
- Fraud or error may not be detected

IMPACTS

High

RECOMMENDATIONS

Journal entries be subject to review by FM or FC before the same take effect in the ledger.

MANAGEMENT COMMENT

Currently we do not have any "Park and Post" option available in the GL application; however, manual controls are in place to ensure the correct and accurate posting of JV's in GL.

We will have this feature available in our ERP 'Sage ACCPAC' whose implementation project had just started.

CONTROL GAP IDENTIFIED

FORMAL CREDIT LIMITS OR CREDIT DAYS ARE NOT ASSIGNED TO DISTRIBUTORS

BACKGROUND AND OBSERVATION

As per the terms of distributor agreement, the company may allow credit sales to be made to distributors on such terms as the company deems appropriate. However, the company does not have a distributor wise formal credit policy with respect to the period and the amount of credit. Such sales are authorised by the ZM on discretionary basis.

This implies that a system based application control on credit limits cannot be deployed; rather the company relies on manual controls which are susceptible to human errors in judgement.

IMPLICATIONS

- Impairment of receivables.
- Recording of fictitious sales.

IMPACT

High

RECOMMENDATIONS

Formal credit limits be assigned to customers and same be incorporated in the system to instigate application controls.

MANAGEMENT COMMENT

As a policy, company's sales are on cash basis which is also written specifically in distributor's agreement. However a blanket provision is also included regarding credit sales as mentioned in the background above. If we allow formally no. of days or monetary credit limit, every distributor will utilize the credit and the company's primary policy of cash sales will no longer be entertained.

However, party wise credit listings are reviewed at every month end by higher management including the Managing Director.

Currently our system has no feature of system based credit monitoring and it is done manually at zonal offices.

CONTROL GAP IDENTIFIED

LEGAL VETTING OF ADVERTISEMENT BY A LEGAL EXPERT IS NOT CARRIED OUT TO ENSURE ADVERTISEMENTS ARE NOT UNFAIR OR DECEPTIVE

BACKGROUND AND OBSERVATION

Media production services are outsourced to an advertising agency that produces advertisements on the basis of agreed themes. Clearance for airing of such advertisements is then obtained from the censor board that ensures that the advertisements are not obscene. However we have been given to understand that the company does not have a legal vetting process in place to ensure that such public communications are not unfair or deceptive in nature.

IMPLICATIONS

- Possibility of legal claim against the company for airing of advisements that are unfair or deceptive.
- Loss or damage to company's reputation

IMPACT

High

RECOMMENDATIONS

Vetting of all advertisement by a legal expert prior to its airing be carried out to ensure that such advertisements are not unfair or deceptive.

MANAGEMENT COMMENT

All advertisement and public communications aired on Pakistan Television Network (the national channel of Pakistan) are subject to clearance from the PTV Censor Board – the only regulatory authority for media communications in Pakistan. Since every advertisement of the company is run on PTV that means for every advertisement we obtain clearance from Censor board.

CONTROL GAP IDENTIFIED

COMPANY DOES NOT HAVE A FORMALLY DOCUMENTED WHISTLE BLOWING PROCEDURE IN PLACE

BACKGROUND AND OBSERVATION

Whistle blowing is a policy and a set of procedures which allow the employees of an organisation to report misconduct to people or entities that have the power and presumed willingness to take corrective action. Generally the misconduct is a violation of law, rule, regulation and/or a direct threat to public interest, such as fraud, health/safety violations, and corruption.

We have noted that the company does not have a formally documented whistle blowing procedure in place whereby its employees can anonymously communicate to an appropriate level of management to report the abovementioned misconducts, if any.

IMPLICATIONS

- Fraud instances might not be detected.
- Ethical violations might impair company's reputation.
- Non-compliance with policies and laws & regulations may not be detected.

IMPACT

High

RECOMMENDATIONS

Whistle blowing procedure be developed and implemented and a log of whistle blowing complaints and disposal steps taken in this regard be maintained.

MANAGEMENT COMMENT

We have drop boxes placed outside the main entrance of the company to facilitate employees to communicate anonymously. All these communications are sent directly to Managing Director himself. To make it more formal, we will incorporate it in the 'letter of conduct which all employees are required to sign at the time of their appointment.

CONTROL GAP / WEAKNESS IDENTIFIED

INADEQUATE CONTROLS OVER CHANGE MANAGEMENT

BACKGROUND AND OBSERVATION

The objective of change management is to ensure that changes to programs and related infrastructure components are requested, prioritised, performed, tested and implemented in accordance with the management's objectives.

All changes and modification in the programs are initiated by the user through PCR Form which is approved by the Head of Finance (HOF) and Change Request Management (CRM) Team. However, we have noted following control gaps / weaknesses in the change management process:

- Versions of program and change logs (using version control software) are not maintained to ensure authenticity of changes. Instead, changes are manually logged in an excel file which was not provided to us for our review;
- Priority field is not filled by both the user and CRM Team in the PCR Forms;
- Scope and baselines are not documented in the PCR Forms;
- Target completion date for the change is not mentioned in the PCR Forms;
- PCR Form is not signed off by the user after UAT;
- Configuration management policy does not cover prioritization of changes;
- Testing standards have not been documented in the policies and procedures for configuration management; and
- Results of Unit, Integration and Quality Assurance Testing are not documented.

IMPLICATION

Without a formal process covering all stages of change management, it is difficult to ensure the authenticity, validity and completeness of changes. In absence of a formal process, changes may not be adequately prioritised and documented.

IMPACT

High

RECOMMENDATION

Management should develop a comprehensive change management process to ensure authorisation from the initiation of change till its completion. The process should encompass priority, minimum documentation standards, logging of changes and maintenance of program versions.

MANAGEMENT COMMENTS

Changes are only done through approved PCR Forms. No Excel file is used for Program Changes. We only use approved PCR Forms for any kind of change on Systems

As per audit recommendation of versioning control software, we will send the request to IT Steering Committee to evaluate the need of versioning tool software for cost benefit analysis. Overall as per records around 2-3 requests on monthly basis come from the business users for program changes or bug fixes.

There are only 2 Systems (GL & SOP) running in Tetley. Overall as per records around 2-3 requests on monthly basis come from the business users for program changes or bug fixes so there was not a need of prioritisation required but on request of Audit team this procedure will be evaluated in next release of PCCP Policy which is subject to approval of IT Steering Committee.

Target and completion dates are discussed within the CRM team and business users. This will be implemented on form level from July 2008 as these fields will be marked as mandatory in next release of PCCP policy.

UAT is always done. Users feel completely satisfied once both UAT and deployment is complete and then they signoff on the PCR Form. We will ask users in future to signoff the UAT section also.

As per Audit recommendation, QA testing standard documentation will be evaluated for implementation in July.

CONTROL GAP / WEAKNESS IDENTIFIED

SYSTEM AND DATABASE ADMINISTRATION ARE NOT ADEQUATELY SEGREGATED

BACKGROUND AND OBSERVATION

We have noted that System Administrator (Mr. Kamran Liaquat) has administrative rights at application database. Furthermore, Database Administrator (Mr. Rizwan Abid) has administrative access at Operating System of application server.

IMPLICATION

Insufficient segregation of duties between system and database administration reduces the checks and balances and increases the risk of malicious use of information assets.

IMPACT

High

RECOMMENDATION

System and database administration are two critical tasks and should not be assigned to same personnel and should be properly segregated.

MANAGEMENT COMMENTS

Database Administrator does not have admin rights on OS, he uses SQA Admin id which has admin rights on the OS. We currently only have one DBA in IT. System administrator has administration rights of the server because of his job responsibility of taking backups and overall manageability of server.

CONTROL GAP / WEAKNESS IDENTIFIED

AUDIT LOGS ARE NOT MAINTAINED AT DATABASE LEVEL

BACKGROUND AND OBSERVATION

The following critical events at SQL 2000 database are not logged:

- Object: Created and Deleted
- Accessing security settings
- Accessing data files
- Accessing of privileged accounts
- Audit Add DB User Event
- Audit Add Login to Server Role Event
- Audit Add Member to DB Role Event
- Audit Add Role Event
- Audit Add Login Event
- Audit Backup/Restore Event
- Audit Change Audit Event
- Audit Login Failed
- Audit Login GDR Event
- Audit Permission Event
- Audit Object GDR Event
- Audit Object Permission Event
- Audit Server Starts and Stops
- Audit Statement GDR Event
- Audit Statement Permission Event

IMPLICATION

The absence of recording important events in the database increases the risk that unauthorized system actions, such as deleting or modifying sensitive data, or access attempts may not be identified and resolved in a timely manner.

IMPACT

High

RECOMMENDATION

Audit Logs for critical database activities should be maintained and periodically reviewed by the management. Logs maintained should not be accessible to persons engaged in database activities and administration.

MANAGEMENT COMMENTS

This was not done because this requires extra storage space. Audit trail logs of database security will be implemented in future.

CONTROL GAP / WEAKNESS IDENTIFIED

AUDIT LOGGING FOR SIGNIFICANT EVENTS IS NOT ENABLED AT OPERATING SYSTEM

BACKGROUND AND OBSERVATION

Audit option is not enabled for the following critical activities at Windows 2000 Domain Controller and Application Server:

Domain Controller

- Account logon events
- Directory service access
- Logon events
- Object access
- Policy Change
- Privilege Use
- Process tracking
- System events

Application Server

- Policy Change

As per understanding given to us, management carries out review of the audit logs generated at Application Server. However, no evidence of the review was available.

IMPLICATION

Without adequate logging and monitoring of significant events at domain controller and member server, unauthorized system and security actions may not be identified and resolved in a timely manner.

IMPACT

High

RECOMMENDATION

Audit Logs should be maintained for critical events both at domain controller and application server to detect potential unauthorised activity. Furthermore, logs maintained should be periodically reviewed and evidence of review should be retained.

MANAGEMENT COMMENTS

This was not done because this requires extra storage space. Audit trail logs of database security will be implemented in future. For Audit logs on domain controller we will request our ISP where doming controller services are outsourced to implement audit logs on active directory.

CONTROL GAP / WEAKNESS IDENTIFIED

INADEQUATE CONTROL OVER DATA TRANSMISSION

BACKGROUND AND OBSERVATION

On a daily basis, each zonal office sends daily sales and collection data to the Head Office (HO) via email which is then uploaded in the system at HO. Furthermore, HO sends customer setup files and new price table to each zonal office. In this respect, we have noted following weaknesses in the data transmission procedure:

- Data transmission to / from zonal office is not encrypted;
- Data is transmitted through an unsecured network;
- Files sent / received are in Microsoft Database (*.mdb) file format which is modifiable;
- SOP application does not restrict uploading of modified file.

IMPLICATION

- Unencrypted sensitive data can be sniff out by any intruder on the unsecured network.
- Unauthorised changes can be made in Microsoft Database file.

IMPACT

High

RECOMMENDATION

Data should be transferred only through secured network. Security of the data should be enhanced through use of encryption. Data files should not be modifiable. Control should be implemented to ensure that system does not accept any modified files.

MANAGEMENT COMMENTS

We will incorporate Password protection in the MDB File along with read only format. Currently this is manual procedures are in place to restrict uploading of a modified file. Data is sent through a secured https link through emails. We have firewalls in place with proper security and audit logs.

CONTROL GAP / WEAKNESS IDENTIFIED

INADEQUATE CONTROL OVER MASTER DATA CHANGES

BACKGROUND AND OBSERVATION

All modifications in the customer master data, chart of accounts, prices and other setup functionalities is restricted only to Administrator of SOP and GL. However, we have noted that these master tables can be downloaded in a Microsoft Database (*.mdb) file format by any user. These downloaded files can be modified and then uploaded into the system. As a result, all users are able to access application functionalities which were originally restricted to Administrators only.

IMPLICATION

- Unauthorized changes to master data; and
- Authenticity, validity and completeness of changes in master data can not be ensured.

IMPACT

High

RECOMMENDATION

Access to master data should be restricted.

MANAGEMENT COMMENTS

There are manual controls in place to restrict this. We will incorporate Password protection in the MDB File along with read only format.

CONTROL GAP / WEAKNESS IDENTIFIED

INADEQUATE CONTROLS ON SALES INVOICE AND ORDER GENERATION PROCESS

BACKGROUND AND OBSERVATION

Sales invoice and sales order are not properly interlinked and changes can be made in the sales invoice without modifying sales order and vice versa.

IMPLICATION

- Incorrect or erroneous transaction may be processed and go undetected; and
- Difference in sales order and sales invoice.

IMPACT

High

RECOMMENDATION

A change in the system should be made through which sales invoice should be linked with sales order.

MANAGEMENT COMMENTS

Sales invoice and sales order interlink issue has been noted for future compliance.

CONTROL GAP / WEAKNESS IDENTIFIED

CREDIT NOTE FOR SALES RETURN IS NOT LINKED WITH STOCK RETURN NOTE AND SALES INVOICE

BACKGROUND AND OBSERVATION

Credit note to record sales return is not linked with Stock Return Note (SRN). Furthermore, credit note is also not linked with sales invoice. Quantity and rate of stock return is manually entered.

IMPLICATION

In the absence of linkage, it is difficult to ensure that credit note particulars are in accordance with SRN and sales invoice.

IMPACT

High

RECOMMENDATION

Credit note should be linked with SRN and sales invoice.

MANAGEMENT COMMENTS

Stock Return Note and credit note are now interlinked in the SOP System. Credit Note and sales invoice linkage has been noted for future compliance.

CONTROL GAP / WEAKNESS IDENTIFIED

ALL GL USERS ARE ASSIGNED SAME LEVEL OF ACCESS RIGHTS

BACKGROUND AND OBSERVATION

There are five GL users based at HO of the company responsible for different accounting areas. However, we have noted that all users are given same level of access rights through assignment of group GL OPERATOR resulting in unnecessary rights.

IMPLICATION

Access rights may not commensurate with job responsibilities.

IMPACT

High

RECOMMENDATION

Access rights of the users should be aligned with their job responsibilities and excessive rights should be revoked.

MANAGEMENT COMMENTS

Only 2 GL users have GL Admin Rights. Access is granted only after approval of Head of Finance.

CONTROL GAP / WEAKNESS IDENTIFIED

ACCOUNTING ENTRY DOCUMENTS CAN BE MODIFIED / DELETED AFTER POSTING

BACKGROUND AND OBSERVATION

Accounting entry documents which include cash and bank payment voucher, cash and bank receipt voucher and journal voucher can be modified / deleted after posting in the GL.

Furthermore, sales and collection entries can be modified in GL system.

IMPLICATION

- Subsidiary ledger may not reconcile with the GL system; and
- Incorrect or erroneous transaction may be processed and go undetected.

IMPACT

High

RECOMMENDATION

System should restrict modification / deletion of a posted accounting entry document.

MANAGEMENT COMMENTS

We are implementing ACCPAC ERP which includes GL Module to resolve this.

CONTROL GAP / WEAKNESS IDENTIFIED

LACK OF INTEGRATION OF SOP SYSTEM WITH GL SYSTEM

BACKGROUND AND OBSERVATION

We have observed that there is lack of integration of SOP system with GL system.

Sales entries are manually entered in the GL system at month end, whereas, sales collection is manually uploaded in the GL system on a daily basis.

IMPLICATION

Absence of integration of key processes may result in:

- Possibility of error due to manual intervention;
- Systems may not reconcile;
- Lack of automation;
- Duplication of work; and
- Non productive use of resources.

IMPACT

High

RECOMMENDATION

SOP system should be integrated with GL system.

MANAGEMENT COMMENTS

SOP and GL are in-house applications and are not an ERP System. We are implementing ACCPAC ERP with integrated modules to resolve this.

CONTROL WEAKNESS IDENTIFIED

RESIDUAL VALUES OF PROPERTY, PLANT & EQUIPMENT (PPE) ARE NOT FORMALLY ASSESSED TO ESTIMATE THE DEPRECIABLE AMOUNT OF ASSET

BACKGROUND AND OBSERVATION

International Accounting Standard No – 16 '**Property, Plant and Equipment**' states that '*The residual value and the useful life of an asset shall be reviewed at least at each financial year-end...*'. However, we have observed that residual values are not formally assessed to estimate the depreciable amount in accordance with the aforementioned requirement.

IMPLICATIONS

- Non-compliance with requirements of accounting framework
- Contravention of matching concept

IMPACT

Medium

RECOMMENDATION

Residual values of items of PPE be formally assessed and documented in accordance with the requirements of applicable standard.

MANAGEMENT COMMENT

We agree in principle but we are required to follow 'group accounting policies manual in submission of monthly FDC and other financial reportings.

However, we will ensure the compliance of above recommendation in the preparation of statutory annual accounts at this year end.

CONTROL WEAKNESS IDENTIFIED

PHYSICAL VERIFICATION OF FIXED ASSETS IS NOT CARRIED OUT BY THE MANAGEMENT. FURTHER, ASSETS HAVE NOT BEEN TAGGED WITH AN IDENTIFICATION NUMBER

BACKGROUND AND OBSERVATION

Section 230 of the Companies Ordinance, 1984 (the applicable regulatory company law in Pakistan) requires every company to keep proper books of accounts with respect to all assets of the company. In pursuance of the said requirement, the Institute of Chartered Accountants of Pakistan has issued Technical Release – 6 - 'Fixed Assets Inventory and Records'. The said TR requires:

- *Periodic reconciliation of the underlying records of fixed assets with the accounting records (General Ledger).*
- *Reconciliation of the periodic physical inventory of fixed assets with fixed assets records.*
- *Determination of cost and accumulated depreciation of each item of fixed assets at the time of retirement or disposal.*

For the purposes of complying with the above requirements the TR inter-alia states:

“Physical verification of the fixed assets be carried out on a cyclical basis (perpetual inventory) according to a formal plan once in five years. The physical inventory be reconciled with the fixed assets records and adjusted accordingly.”

However, it was noted that regular physical verification of fixed assets is not carried out by the management and results of the same are not reconciled with FAR. Further, assets have not been tagged with unique identification numbers.

IMPLICATIONS

- Fixed assets as per books may not physically exist
- Assets requiring assessment for impairment may be not be identified
- Non-compliance of the legal requirements

IMPACT

Medium

RECOMMENDATIONS

Regular physical verification of fixed assets be conducted

MANAGEMENT COMMENT

Major Plant and Machinery items are properly tagged and vehicles are identified by their registration numbers. Due to limited resources available at the disposal of the company we couldn't conduct a detailed exercise of physical verification of all fixed assets in the past.

Observation noted for future compliance.

CONTROL GAP IDENTIFIED

CUT-OFFS FOR MONTH END GRNs ARE NOT RECORDED AT THE TIME OF PHYSICAL STOCK CHECK

BACKGROUND AND OBSERVATION

Physical stock count is carried out by FE-FA on monthly basis whereas, on a daily basis, GRNs are sent to HO to update the same in the inventory movement sheet. We have noted that cut-offs for month end GRNs are not recorded at the time of physical stock check to ensure that GRNs are booked in the correct period.

IMPLICATIONS

- Recording of expenses in incorrect period.
- Understatement / Overstatement of liabilities at a particular month end.

IMPACT

Medium

RECOMMENDATIONS

Cut-offs for month end GRNs be recorded at the time of physical stock check.

MANAGEMENT COMMENT

After physical check, all the goods checked at the warehouse are accounted for and so their respective GRN's.

Please note that physical stock check of both raw and packing materials is performed at every month end to ensure that all the transactions are recorded in correct period.

We will ensure the formal logging of cut off's of GRN's in future.

CONTROL GAP IDENTIFIED

CIRCULARISATION OF CUSTOMER BALANCES IS NOT PERFORMED ON PERIODIC BASIS AND HENCE BALANCE RECONCILIATIONS ARE NOT PREPARED

BACKGROUND AND OBSERVATION

Circularisation of customer balances by the person independent from the one maintaining the customer balances is generally part of internal control process to detect any intentional or unintentional errors in booking of sales, customer collections or credit notes. However, we have observed that no such procedure is being performed by the company and hence reconciliation of customer balances as per company's books with the distributors' records are not prepared.

IMPLICATIONS

- Risk of teeming and lading
- Errors in recording the sales, collections or credit notes to customer balances may remain undetected

IMPACT

Medium

RECOMMENDATIONS

Circularisation of customer balances be performed on regular basis.

MANAGEMENT COMMENT

We have got 400 around nation wide distributors working for the company. Realistically it is very difficult to circularise their balance on every reporting month. We can start initially by circularising the balances to our metro town distributors.

However, we do send the distributor wise status of balances to their respective zonal managers at each month end for their feedback and constant follow-up.

CONTROL WEAKNESS IDENTIFIED

OVERHEAD CHARGES ARE NOT ALLOCATED TO CLOSING INVENTORY ON MONTHLY BASIS. FURTHER, AT YEAR END THESE ARE ONLY ALLOCATED TO FINISHED GOODS INVENTORY

BACKGROUND AND OBSERVATION

We have observed that the company does not have a policy of attributing manufacturing overheads to finished goods inventory on a consistent basis, rather such allocation is only made on an annual basis in the month of June. We have been given to understand by the management that such treatment is followed to ensure that the company complies with the requirements of the applicable reporting framework for the purpose of preparing its financial statement under local statutory requirements.

We have further observed that the company does not have a policy of allocating manufacturing overheads to WIP in accordance with the requirement of IAS-2 '**Inventories**' which inter-alia states:

'The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.'

IMPLICATIONS

- Budgetary and monitoring process may get impaired due to abrupt changes in profits and stock levels as a result of the adopted policy in respect of finished goods valuation.
- Inappropriate valuation of inventory items and non-compliance of IAS-2.

IMPACT

Medium

RECOMMENDATIONS

A consistent policy be adopted for valuation of all inventory items in accordance with the requirements of IAS-2 and such policy be applied on a consistent basis for monthly reporting purposes.

MANAGEMENT COMMENT

During preparation of monthly FDC reporting to UK we follow the Tata Tea (GB) accounting policy manual which doesn't require us to do this treatment on every month end. However, we do it at annual closing to comply with the statutory requirements as mentioned by the auditors.

CONTROL WEAKNESS IDENTIFIED

NO FORMAL CHECKLIST IS FILLED AND SIGNED-OFF BY FINANCE PERSONNEL AS PART OF COMPLETION OF CLOSING PROCESS

BACKGROUND AND OBSERVATION

Ensuring timely and adequate completion of monthly closing activities integral part of the management reporting process, however we have observed that though the management maintains a monthly closing checklist, the same is not formally filled and-signed off as part of monthly closing process.

Further, such checklist is not formally reviewed on a regular basis to ensure it is complete and up-to-date.

IMPLICATIONS

- Timely completion of closing process
- closing entries and adjustments may be recorded completely

IMPACT

Medium

RECOMMENDATIONS

Formal checklist be filled and signed-off by finance personnel as part of monthly closing process

MANAGEMENT COMMENT

We have a formal check list which is filled as a part of completion of closing process and the finance person responsible for closing process reviews it every month. We agree that the same is not formally signed off which we will ensure in the future.

CONTROL WEAKNESS IDENTIFIED

RECONCILIATION BETWEEN FDC REPORTING AND TRIAL BALANCE IS NOT PROPERLY DOCUMENTED

BACKGROUND AND OBSERVATION

On a monthly basis, the local management reports the financial information flow of TCPL to the Group Reporting Unit – UK (GRU) on a pre-defined balance sheet and profit & loss template known as FDC reporting format.

For the purpose of reporting the financial information flow, FE-Reporting downloads the system generated trial balance into an excel worksheet where pre-defined account code mapping is used to prepare balance sheet and profit and loss account in accordance with the requirements of FDC reporting. The numbers as mapped are then entered into the FDC template.

We have noted that a reconciliation between FDC and trial balance is not properly documented and signed by FM or FC as part of the management reporting process.

IMPLICATIONS

Excel based mapping sheets are susceptible to human error and unauthorised modifications, further without formal review of the same errors may not be detected on timely basis.

IMPACT

Medium

RECOMMENDATIONS

- System based FDC reporting be developed
- Reconciliation between FDC and trial balance be prepared and approved by FM or FC

MANAGEMENT COMMENT

We agree that MS Excel is susceptible to human errors so we will address this issue while implementing the ERP solution. We have a plan to link our FDC reporting directly with the Trial balance so this need of reconciliation will be eliminated utterly.

CONTROL GAP IDENTIFIED

NO FORMAL DOCUMENTATION IS DONE FOR THE COMPARISON OF INSURANCE PREMIUM RATES AND OTHER FACTORS CONSIDERED BEFORE SELECTING AN INSURER

BACKGROUND AND OBSERVATION

Company obtains marine, fire and allied insurance covers against loss or damage to its assets. Such cover is obtained from Century Insurance Company limited (a related group company). We have observed that no formal comparative statement is prepared and approved by the management at the time of new/renewal of insurance policy to ensure that the optimum rates are obtained.

IMPLICATIONS

- Premiums may be paid to the insurance company at higher than competitive rates.
- Possibility of transactions at terms other than Non arm's length terms.

IMPACT

Medium

RECOMMENDATIONS

Formal documentation to be done for the comparison of insurance premium rates and other factors considered before selecting an insurer.

MANAGEMENT COMMENT

Quotes are obtained time to time from different insurers and the most viable option is selected by the management. However no formal comparative analysis is done to this effect which we will make sure to do at the time of policies renewals.

CONTROL GAP IDENTIFIED

POLICY FOR THE LEVEL OF SECONDARY STOCKS WITH DISTRIBUTORS IS NOT DOCUMENTED

BACKGROUND AND OBSERVATION

We have been given to understand by the management that secondary stock levels with the distributors are monitored by sales force team and at the end of each month, stock count is conducted for secondary stock lying with the distributors, details of which are sent to FE-S&D at HO, where secondary sales and secondary stock levels are discussed and monitored in monthly KPI meeting. However, we have noted that there is no formally documented policy for the level of stocks to be maintained with the distributors.

IMPLICATIONS

- Absence of formally documented stock holding policy may impair control over secondary stocks.
- Possibility of trade loading.

IMPACT

Medium

RECOMMENDATIONS

Policy for the level of stocks to be maintained with distributors be formally documented.

MANAGEMENT COMMENT

Implied policy for secondary stocks levels is in place according to which distributors are required to maintain 10 to 15 days of stock subject to certain conditions like frequency of supplies, territory covered etc. We will ensure this policy to be documented formally.

CONTROL GAP / WEAKNESS IDENTIFIED

NON COMPLIANCE OF PASSWORD POLICY AND GUIDELINE

BACKGROUND AND OBSERVATION

We have noted that the following password parameters at domain controller and applications are not in accordance with the password policy and password guidelines of the company:

PARAMETER	AS PER PASSWORD GUIDELINE	SETTINGS AT DOMAIN CONTROLLER	SETTINGS AT APPLICATIONS
Minimum password length	8 characters	0 Characters	1 Characters
Maximum password age	30 to 90 days	0 days	Not Enabled
Password complexity	Enable	Disabled	Not Enabled

Furthermore, at application level, users do not have the option to change their password.

IMPLICATION

- Simple password structure and inadequate controls over password management increases the risk of the system being compromised.
- Non compliance of corporate policies and guidelines.

IMPACT

Moderate

RECOMMENDATION

Adequate Password setting in accordance with corporate policies and guidelines should be implemented to ensure information security.

MANAGEMENT COMMENTS

We do need to improve on the password security features in applications which we currently are doing. In regards to domain password policy, as our domain controller services are outsourced to our ISP, we will ask them for changing the password policy on domain controller.

CONTROL GAP / WEAKNESS IDENTIFIED

NO FORMAL POLICY AND PROCEDURE FOR DIRECT DATABASE ACCESS

BACKGROUND AND OBSERVATION

Database Administrator is responsible for creation and deletion of users, assignment and modification of user rights and opening / closing of accounting periods for Sales Order Processing (SOP) and General Ledger (GL) applications. These routine tasks are performed by directly accessing the production database by the DBA. However, management has not documented a formal policy and procedure for management of direct database access.

IMPLICATION

In the absence of a formal procedure for direct database access and data changes, there is a risk of unauthorised and incorrect data changes.

IMPACT

Moderate

RECOMMENDATION

Management should develop and implement policy and procedure for management of direct database access.

MANAGEMENT COMMENTS

We will review and consider this suggestion for future enhancements in our policies.

CONTROL GAP / WEAKNESS IDENTIFIED

NO FORMAL DOCUMENTED PROCEDURE FOR OPENING AND CLOSING OF ACCOUNTING PERIODS IN THE SYSTEM

BACKGROUND AND OBSERVATION

There is no documented procedure for opening and closing of an accounting month in GL and SOP system. Currently accounting periods are closed and opened on request of HOF via email.

IMPLICATION

In the absence of a formal process there is risk that accounting periods are not timely closed resulting in processing of transaction in incorrect period.

IMPACT

Moderate

RECOMMENDATION

Formal procedure for opening and closing of accounting periods should be established to ensure that unnecessary accounting periods are not opened and closed on a timely basis.

MANAGEMENT COMMENTS

Above recommendation is noted for future compliance

CONTROL WEAKNESS IDENTIFIED

ACCRUALS FOR ADVERTISING AND PROMOTIONAL EXPENSES ARE NOT REVIEWED AND ADJUSTED FOR POSSIBLE DEVIATIONS FROM MEDIA PLAN OR BUDGETED EXPENDITURES

BACKGROUND AND OBSERVATION

Accruals for advertising expenses are booked as per the agreed media plan while accrual for promotional expenses are booked on the basis of approved CFN. It is being noted that accrual for advertising and promotional expenses are not formally reviewed as part of the monthly closing process to identify any adjustments required due to droppages in advertising or promotional activities.

IMPLICATIONS

- Understatement / Overstatement of monthly accruals and advertising expenses
- Contravention of matching concept

IMPACT

Low

RECOMMENDATIONS

Accruals for advertising and promotional expenditures be monitored and if required be adjusted to account for droppages in advertising and promotional activities. Further, accrual for advertising expenses be booked on the basis of RO.

MANAGEMENT COMMENT

Accruals for media and advertising are made at month end on the basis of airing done during the month. Promotional activities are mostly of on-going nature like challenger vans, dealer loader programs and it is very difficult to ascertain the level of completion at each month end with only 2 personnel employed in marketing. However, we review it quarterly for any droppings or curtailment in the activities if any.

RO's are received with the invoice which takes almost 2 months so media accruals on the basis of RO can not be made.

CONTROL WEAKNESS IDENTIFIED

ESTIMATE CHARGE FOR OTHER IMPORT CHARGES (OF 15%) IS NOT REVIEWED AND REVISED (IF REQUIRED) ON PERIODIC BASIS

BACKGROUND AND OBSERVATION

Cost of each consignment is computed at invoice value, freight cost and an estimated blanket charge of 15% for other import charges such as Insurance, clearing, handling and bank charges etc. We have noted that such estimated charge rate is not reviewed and revised (if required) on a periodic basis. Further, the management has not formally documented the basis of deriving such estimate charge rate.

IMPLICATIONS

- Charges attributable to imported items may vary significantly from actual cost
- Such expenses may not be recorded in the proper period

IMPACT

Low

RECOMMENDATIONS

Estimate charge for other import charges of 15% be reviewed and revised (if required) on periodic basis and such basis be formally documented.

MANAGEMENT COMMENT

Since the custom duty has not been changed and it is still @10% currently so we do not feel any need to review and revise this 15% on cost factor which is agreed by UK finance and tea buying.

CONTROL WEAKNESS IDENTIFIED

COMPARATIVE RATES FOR TERM DEPOSIT PLACEMENTS BE DOCUMENTED

BACKGROUND AND OBSERVATION

Prior to placement of funds in deposit account with the banks, FE – Cash and Bank obtains deposits rates and terms from different banks and communicates the same to FC for approval. However, it was observed that the comparative statements for deposit rates received from different institutions is not formally prepared and approved.

IMPLICATIONS

Funds may not be placed at the most suitable deposit rates.

IMPACT

Low

RECOMMENDATIONS

Rates obtained from banks for deposits be formally documented and a comparative sheet be prepared in a suitable format to highlight the rates obtained, to ensure that best available opportunity is availed.

MANAGEMENT COMMENT

We are only permitted to invest in deposit accounts with the scheduled banks. For this purpose we opened a bank account in NIB commercial bank after the authorization of the board of directors through board resolution. Currently we are only invested through this authorized bank account so we feel there is as such no need to document comparative rates.

CONTROL GAP / WEAKNESS IDENTIFIED

IT POLICIES AND PROCEDURES ARE NOT APPROVED

BACKGROUND AND OBSERVATION

IT policies and procedures including policy and procedures for configuration management are not approved by the board of directors / IT Steering Committee.

IMPLICATION

Policies and procedures may not be in line with the business requirements.

IMPACT

Low

RECOMMENDATION

IT policies and procedure should be approved by the Board of Directors or IT Steering Committee.

MANAGEMENT COMMENTS

All IT Policies and Procedures are approved by at least two out of four members of the IT Steering Committee which fulfils the compliance requirements.

CONTROL GAP / WEAKNESS IDENTIFIED

GENERIC USER ID IS USED TO LOGON OPERATING SYSTEM AND DATABASE

BACKGROUND AND OBSERVATION

There exists a generic ID "Sqa_Admin" on Operating System and database of application server.

IMPLICATION

If generic IDs are used to logon system, accountability for actions cannot be determined.

IMPACT

Low

RECOMMENDATION

All generic user IDs should be deleted.

MANAGEMENT COMMENTS

SQA Admin is not a generic ID. This ID is with database administrator for Database updates and changes. If we create an ID with DBA name, we have to go through ID renaming process every time a new DBA joins the company.

CONTROL GAP / WEAKNESS IDENTIFIED

ACCOUNT LOCKOUT FEATURE IS NOT ENABLED AT DOMAIN CONTROLLER

BACKGROUND AND OBSERVATION

Account lockout after specified time duration and number of failed access attempts is not set at Windows 2000 Domain Controller.

IMPLICATION

Locking out accounts after a specified time duration and number of failed logon attempts decreases the risk that user accounts will be compromised through brute force attacks.

IMPACT

Low

RECOMMENDATION

Account lockout policies for lockout duration and invalid failed login attempts should be enabled.

MANAGEMENT COMMENTS

Our Active Directory management is outsourced to our ISP. Account lockout feature request has been given to them.

CONTROL GAP / WEAKNESS IDENTIFIED

PROBLEM LOGGING MECHANISM NEEDS IMPROVEMENT

BACKGROUND AND OBSERVATION

Company is using a freeware application "Mouse Tracks" as help desk system. We have noted that problems are not directly input to the helpdesk system by users. System Administrator inputs the problem / complaint into the system and subsequently updates the system on resolution of the problem. No independent review of the system is performed to check the current status of the complaints to ensure that these are timely and properly resolved.

IMPLICATION

If complaints are not properly logged and reviewed, there is a risk that some issues / problems will be forgotten about, and not be followed up and corrected on a timely basis.

IMPACT

Low

RECOMMENDATION

All users must be given access to helpdesk system to input their problem / complaint. Furthermore, management should periodically review report of helpdesk system such as, number of calls logged, numbers of resolved calls, problem types, monthly trends of calls, etc. and if necessary follow up should be conducted.

MANAGEMENT COMMENTS

Users prefer to call or email instead of logging complains on Mouse Tracks. When users call or email for support IT CRM team puts request in Mouse Tracks right away. Support is only given once ticket is logged on Mouse Tracks

CONTROL GAP / WEAKNESS IDENTIFIED

STANDARD OPERATING PROCEDURE FOR BACKUP IS NOT COMPREHENSIVE

BACKGROUND AND OBSERVATION

Standard Operating Procedure for backup does not cover the following:

- Backup tape rotation;
- Backup tape retention;
- Backup tape restoration; and
- Review of backup logs.

IMPLICATION

In the absence of a formal and comprehensive procedure to be followed for backup, reliability and completeness of the backup cannot be determined.

IMPACT

Low

RECOMMENDATION

Standard Operating Procedure for backup should be updated to include critical areas of backup media rotation, retention, testing of backup and review of backup logs.

MANAGEMENT COMMENTS

Backup Policy exists in IT Policy and Standard Operating Procedures. We will add these recommendations in the backup policies.

CONTROL GAP / WEAKNESS IDENTIFIED

NO EVIDENCE OF PERIODIC RESTORATION OF APPLICATION AND DATABASE BACKUP

BACKGROUND AND OBSERVATION

As per understanding given to us, backup restoration is periodically carried out for application, database and user data. However, no evidence of the application and database backup restoration was available for our review.

IMPLICATION

Back up tapes may not be readable when they are needed, resulting in data loss.

IMPACT

Low

RECOMMENDATION

Result of backup restoration exercise should be documented and retained.

MANAGEMENT COMMENTS

Original Backup restoration log sheets for user data were given. For backup restoration on application and data we will keep the logs in future.

CONTROL GAP / WEAKNESS IDENTIFIED

INADEQUATE CONTROLS OVER SEQUENTIAL NUMBERING OF ACCOUNTING ENTRY DOCUMENTS, SALES INVOICE AND SALES ORDER

BACKGROUND AND OBSERVATION

There is no control in place to ensure that a unique number is assigned to every accounting entry document. System generated number for the deleted accounting entry document can be assigned to another accounting entry document.

Furthermore, we have noted that when sales order / invoice is deleted, the same Sales order / invoice number can be assigned to another sales order / invoice.

IMPLICATION

Same number may be assigned to two or more accounting entry documents / sales order / sales invoice.

IMPACT

Low

RECOMMENDATION

A unique number be assigned to accounting entry documents / sales order / sales invoice to enable easy identification and completeness.

MANAGEMENT COMMENTS

We are implementing ACCPAC ERP which includes GL Module to resolve this.

TETLEY CLOVER (PRIVATE) LIMITED REVIEW OF INTERNAL CONTROLS

BUSINESS CONTROL MATRIX ACCOUNTS AND ADMINISTRATION

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX



ACCOUNTS AND ADMINISTRATION - COSTING AND STOCK VALUATION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
General	Standard costs are approved before implementation.	Standard costs are revised annually and are approved by the FC before their implementation.	Checked that proper approvals are made for standard cost.	None
General	Access to physical inventory and related documents are restricted.	<ul style="list-style-type: none"> Inventory / documents are stored in secured areas and security systems prevent unauthorised personnel from gaining access to warehouses and filing room. Satisfactory security measures exist over vehicles entering or leaving the site (e.g., weighing or spot counts). 	Observed that proper security measures are in place.	None
General	Duties are adequately segregated.	The production function is segregated from the inventory records, inventory custody, cost accounting and general ledger functions.	Observed compliance with the management policy.	None
Inventorisation	Cost attributed to inventory for valuation purpose is appropriate.	<ul style="list-style-type: none"> Raw tea is valued at invoice value (FOB) plus freight charges and an estimated charge of 15% for other import incidentals. Packing material, WIP and finished goods are valued at standard cost. 	Obtained inventory valuation sheets on sample basis and ensured that management policy in respect of inventory valuation, is being followed.	Estimate charge for other import charges of 15% is not reviewed and revised (if required) on periodic basis, further the basis of estimated charges are not documented.

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX



ACCOUNTS AND ADMINISTRATION - COSTING AND STOCK VALUATION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Inventorisation	Inventory movements are accurately recorded in the proper period.	All the GRNs, SRNs and MRNs are received by the FE-FA from factory on daily basis who ensures that the same is updated in the inventory sheets in their respective dates on daily basis.	Obtained GRNs, MRNs on sample basis and ensured that the same is updated in inventory sheet in proper period.	None
Inventorisation	Movements and transfers are completely and accurately input to the raw material and WIP stock sheets.	<ul style="list-style-type: none"> Raw material issuance details are sent by go-down in-charge to factory accountant on daily basis. FE-FA updates the raw material inventory sheet on the basis of such details/source documents. The factory accountant prepares a stock movement sheet comprising of the details of stock produced, issued, retained and the batch wise valuation of stock, which is compared with daily production report sent by Factory Manager. 	Obtained and reviewed the stock movement sheet and inventory valuation sheets on sample basis.	None
Inventorisation	Quantity and value of Inventory consumed are accurately applied to value the goods manufactured.	<ul style="list-style-type: none"> Proper cut offs are obtained at the 25th of every month by conducting a physical stock count and reconciliations are prepared between opening and closing stock for each stock item to ensure that 	<ul style="list-style-type: none"> Obtained and checked the stock count sheet and stock reconciliations. Ensured that they are approved by the FM. Also calculation for usage variance and cost of goods sold 	None

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX



ACCOUNTS AND ADMINISTRATION - COSTING AND STOCK VALUATION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
		<p>consumption quantities are accurately recorded and differences; if any, are investigated.</p> <ul style="list-style-type: none"> Above reconciliations are reviewed by FM as part of the monthly closing procedure. 	<p>was checked to ensure that standard rates were appropriately applied.</p>	
Labour and Overhead Costs	Production labour costs are allocated recorded and input completely and accurately.	<ul style="list-style-type: none"> Direct and indirect labour costs are separately identified and booked in the ledger. Labour cost is charged to goods manufactured at standard rate. Labour efficiency variance is calculated on monthly basis and charged off to income. 	Obtained and checked the labour cost computation sheet.	None
Labour and Overhead Costs	Overhead costs are allocated, recorded and input completely and accurately.	<ul style="list-style-type: none"> Manufacturing overheads are separately identified and booked in the ledger. Overhead cost is obtained from ledger and allocated to closing stock of finished goods and remaining balance is charged off on annual basis. 	Checked the allocation of overhead into the stock.	<ul style="list-style-type: none"> Overhead allocation between FG, WIP and COGS is not made on monthly basis. Overhead charges are not allocated to Work in Process (WIP) items.

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX



ACCOUNTS AND ADMINISTRATION - COSTING AND STOCK VALUATION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Costing and Related Closing Procedures	Costs are properly allocated between period and product costs.	<ul style="list-style-type: none"> • Manufacturing overheads are separately identified and booked in the ledger in their respective cost centres codes. • Selling, distribution and administrations expenses are separately booked in the ledger from manufacturing overheads. Responsibilities for recording the expenses in the ledger according to their nature, are appropriately segregated. 	Checked that overheads allocated as per the ledger and are separately identifiable and are appropriately recorded in the ledger according to the nature of expense, further, observed that responsibilities for recording the expenses in accordance with their nature, are assigned to separate individuals.	None
Inventorisation	Inventory valuation and cost charged to Cost of Goods Sold (COGS) are accurate and reliable.	Management has adopted a methodology for computation of cost to be charged to COGS and for inventory valuation, which is applied on consistent basis. FE-FA is responsible for the accuracy of such computations which is subject to review by FM.	Checked that methodology has been followed by management on consistent basis.	Inventory valuations records are maintained on excel based sheets which are susceptible to unauthorised modifications, loss of data or inaccuracy of calculations.

BUSINESS CONTROL MATRIX

ACCOUNTS AND ADMINISTRATION - TREASURY

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Cash and Bank Disbursements	Bank accounts and signatories are appropriately authorised.	<ul style="list-style-type: none"> Bank accounts can be opened or closed only by resolution of the board of directors. For specifying authorised signatories resolution of board is required. 	Obtained and reviewed the resolution of the board authorising the same.	None
Cash and Bank Disbursements	All the disbursements are appropriately authorised.	All the cheques are signed by authorised signatories, which are authorised by the board of directors.	Checked on sample basis that payments are approved by FM and FC.	None
Cash and Bank Disbursements	Transactions are recorded in the proper period.	Bank reconciliations are regularly prepared and approved.	Obtained bank reconciliation statements and ensured the same are approved.	None
Cash and Bank Disbursements	Duties are adequately segregated.	<ul style="list-style-type: none"> Persons authorising the signatories are different from persons operating the bank accounts. Person dealing with the bank is different from the person authorising such transactions 	Observed that FE-cash and bank is responsible for cash and bank accounting and approval authority rests with FC and FM.	None
Cash and Bank Disbursements	Access to physical cheques and Cash is restricted.	Cash and unused cheques are secured in safes and keys are kept by FE-cash and bank and FM.	Observed that cash and unused cheques are secured in safes.	None

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ACCOUNTS AND ADMINISTRATION - TREASURY

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Cash and Bank Disbursements	Transactions posted to the general ledger are recorded completely and accurately.	Bank reconciliations are prepared and approved on monthly basis.	Obtained bank reconciliation statements and ensured the same are approved.	None
Cash and Bank Disbursements	All the journal entries for adjustment are properly authorised.	Journal entries made for adjustments identified through bank reconciliation are subject to review by FM.	Observed that all of entries booked in the ledger are subject to approval by FM.	None
Fund Management	All the investments are authorised and are made with appropriate risk management measures.	Investments are only made in Bank deposits which are approved by FC.	Obtained and reviewed bank authorisation letters on sample basis.	Comparative rate sheets for bank deposits be formally prepared, documented and approved.
Fund Management	All the financing availed are authorised.	FE -25 loans are availed after proper approval by FC.	Obtained and reviewed bank letters and forms are approved by FC.	None
Petty Cash	Duties are adequately segregated	<ul style="list-style-type: none"> At HO, cash is kept in a safe; where one of its keys is kept by FM and the other one is kept by FE-Cash & Bank. Records are maintained by FE-Cash & Bank. At factory, petty cash is maintained with FcM and petty cash reconciliation is reviewed by FE-Cash & Bank. 	Observed that the duties are adequately segregated.	None

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ACCOUNTS AND ADMINISTRATION - TREASURY

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
		<ul style="list-style-type: none"> At ZO petty cash is maintained with ZM and WI and petty cash reconciliations along with the supports are sent to AO for review and recording of the same in GL. 		
Petty Cash	Unauthorised input to the petty cash sub-ledgers is prevented and detected.	Transactions entry into system for petty cash is restricted to FE- Cash and Bank by way of access control using passwords.	Observed that the petty cash ledger is password protected.	None
Petty Cash	All the expenses are properly authorised.	FE-Cash & Bank and AO ensures that all the expenses reimbursed through petty cash are properly supported and authorised. Further, the same are also subject to review by FM.	Obtained petty cash vouchers and ensured that proper supports are attached and are properly approved.	None

TETLEY CLOVER (PRIVATE) LIMITED
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ACCOUNTS AND ADMINISTRATION - FIXED ASSETS



BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Acquisition	All the acquisitions are properly authorised.	<ul style="list-style-type: none"> All CER are approved by the departmental heads. CERs are also compared with the budgets and requisitions not budgeted for, are subject to proper justification by the indenting department. Further, CER are approved by the FC and/or MD in accordance with the company's approval policy. 	Tested fixed asset purchases on a sample basis to ensure that they are properly requisitioned and approved.	None
Acquisition	All CERs are recorded correctly.	<ul style="list-style-type: none"> All capital expeditors are requisitioned on pre-printed sequentially numbered forms (CER) which helps in keeping track of all requisitions. Approved capital expenditure forms are then entered into an excel based CER register. A one-to-one check between the CER register and the source document is performed on regular basis by FE to ensure completeness and accuracy. 	Obtained and reviewed CER register and cross referred it with the CER source documents.	None

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ACCOUNTS AND ADMINISTRATION - FIXED ASSETS

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Acquisition	Recording of fixed asset acquisitions is properly authorised and is accurately entered into the GL and FAR.	<ul style="list-style-type: none"> Additions to fixed assets are approved by the FM who simultaneously approves asset classification and depreciation rate. FE then records the fixed assets in GL on the basis of GRN and PO. A one-for-one check between the internal and external supporting documents (i.e. invoice) is also performed by FE. 	Tested fixed assets additions on sample basis to ensure that the assets are recorded at the correct amount and are properly authorised.	None
Acquisition	All the assets are adequately entered into the FAR.	FAR is updated on a monthly basis using GL records as primary source.	Ensured that FAR and GL are in agreement on a sample basis.	None
Impairment	All significant items of PPE are tested for impairment issues on a timely basis.	None	N/A	No formal exercise is being carried out by the management to assess whether there is any indication that the fixed assets may be impaired.
Depreciation	Depreciation rate assigned to an item of PPE is approved by the appropriately authority and	None	N/A	<ul style="list-style-type: none"> Approval of the appropriate authority regarding the useful lives of the assets are not

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ACCOUNTS AND ADMINISTRATION - FIXED ASSETS

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
	correct rate is used to compute depreciation.			documented. <ul style="list-style-type: none"> Further, residual values of the assets are not formally assessed to estimate the depreciable amount of asset.
Depreciation	Fixed assets are depreciated appropriately and correct posting entries are made in the GL.	<ul style="list-style-type: none"> FE calculates depreciation expense on a monthly basis in FAR and makes appropriate entries into the GL. Depreciation calculation and entry into the GL is then reviewed by the FM. 	Reviewed depreciation calculation on a sampling basis and ensured that is reviewed and approved by the appropriate authority.	FAR is maintained in an Excel based sheet and depreciation is calculated using the same, which is susceptible to unauthorised modifications, loss of data or inaccuracy of calculations.
Disposal of Assets	All disposals are completely and accurately entered for processing.	None	N/A	There are no management policies with respect to disposal of PPE. Further, we have been given to understand that the company has not disposed-off any item of PPE since inception.
General	Duties are adequately segregated.	<ul style="list-style-type: none"> CAPEX plan and CER are approved by the relevant HoD along with the FC and MD. PO is raised by PM which is approved by FC. 	Observed the general control environment to assess the strength of internal controls instigated through segregation of duties and corroborated our	None

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ACCOUNTS AND ADMINISTRATION - FIXED ASSETS

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
		<ul style="list-style-type: none"> GRN is prepared by the receiving department. Entry in the ledger is booked by FE-Reporting. 	understanding at the time of validation of controls by reviewing internally generated supporting documents to check that proper posting, review and approval process is in place.	
General	Unauthorised access and input into the FAR is prevented and detected.	Excel based FAR is password protected to ensure prevention of unauthorised entry.	Observed that FAR file is password protected.	NA
General	Ensure that title to owned assets is held by the company in its own name.	Where applicable, it is ensured that the company holds legal title to recorded fixed assets. While the documents evidencing the physical title are maintained in a secure location.	On sample basis, reviewed titles to PPE to ensure that assets are held by the company in its own name.	
General	Existence of items of PPE is ensured.	None	N/A	Periodic fixed asset physical verification is not conducted by the management.

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ACCOUNTS AND ADMINISTRATION - CLOSING ACTIVITIES

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
General	Period-end closing adjustments are recorded completely and accurately.	FE-Reporting maintains a checklist for recurring period-end closing entries relating to accruals, depreciation and other adjustments that are necessary for monthly closing. There is a one-to-one check of the listing with the recorded journal entries to ensure completeness.	NA	Formal checklist sign-offs and review procedures are not in place to ensure completeness.
General	Closing adjustments are approved.	All recurring and non-recurring closing adjustments are approved by FM and FC who compare the adjustments with the source documents to ensure that the documentation is adequate and sufficient.	Checked, on sample basis that closing entries are properly approved and entered into GL.	None
Discounts and Incentives	Accruals are made for discount / incentive schemes completely and accurately.	Proper accruals are made for discounts allowed to distributors for which claims are not received by the month end. The calculation is reviewed by FM.	Inquired about bases of accruals from management and evaluated that the same are appropriate.	None
Cost Sharing Expenses	Expenses recharged to CPL are appropriate and in accordance with the agreement.	Zone wise selling & distribution expenses are separately identified and booked in GL. At month end, AO	Obtained expenses recharge computation for selected months and checked that	None

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ACCOUNTS AND ADMINISTRATION - CLOSING ACTIVITIES

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
		extracts such charges from the ledger and computes CPL's share in such expenses as per the terms of agreement. The computation is reviewed by FM and FC.	percentage specified in the agreement is used for cost sharing and expenses charged as per the ledger.	
General	Duties are adequately segregated.	Recording, approval and review of journal entries are done by different individuals, with different level of seniority.	Observed from internally generated supporting documents that duties are appropriately segregated.	None

TETLEY CLOVER (PRIVATE) LIMITED REVIEW OF INTERNAL CONTROLS

BUSINESS CONTROL MATRIX CASH AND EXPENSES



For **Cash and Expenses** refer *Petty Cash* process in ‘*Account and Administration – Treasury*’ and *Selling and Distribution Expenses* in ‘*Commercial/Sales Transactions – Sales and Distribution*’.

TETLEY CLOVER (PRIVATE) LIMITED REVIEW OF INTERNAL CONTROLS

BUSINESS CONTROL MATRIX COMMERCIAL / SALES TRANSACTIONS

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX



COMMERCIAL/SALES TRANSACTIONS - SALES AND DISTRIBUTION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Sales & Invoicing	All sale orders are accurately recorded.	Sale order is placed on a pre-numbered form (SOF) which is approved by the ZM before its recoding in SOP.	Checked SOF on sample basis that the same are properly approved and recorded in the system.	SOF number is not entered in SOP; rather a system generated number is allotted to each sale order. Hence the tracing control of SOF is missing.
Sales & Invoicing	Duplicate sales are not recorded.	Manual checks exist to prevent SOF duplication.	Checked that SOF are properly approved and recorded in the system. <i>(Refer SPA for further validation procedures performed.)</i>	Since sales orders are not entered with reference to the pre-printed SOF No., application controls to prevent duplication can not be deployed.
Sales & Invoicing	Sales terms and prices are approved by the appropriate level of management.	Price structure is approved by the MM and FC and changes in price are promptly intimated to ZM, distributors and retailers; simultaneously prices in SOP are also updated.	Obtained approved price structure and ensured that the same has been used in generation of invoices.	Changes in the price structure in the system to be reviewed by a person independent from one updating the system.
Sales & Invoicing	Fictitious sales to customers (on credit) are prevented and detected.	<ul style="list-style-type: none"> All orders are placed on the basis of distributors' signed SOF. Sales can only be made to a distributor whose profile has been created in SOP. Distributor profile is created by the person independent from the one processing the order. Customer acknowledged invoices are received by WI, independent from the person processing the invoices. 	For selected invoices checked that the same is backed by customer signed SOF. <i>(Refer SPA for further validation procedures performed.)</i>	None

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COMMERCIAL/SALES TRANSACTIONS - SALES AND DISTRIBUTION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Sales & Invoicing	Customers' credit limits are controlled.	<ul style="list-style-type: none"> The credit sales are approved by the ZM and prior to issue of invoice, customer balances are checked for any prior outstanding invoicing before authorising any further credit sales. Debtors balances are monitored and discussed for each zone, in KPI meetings. 	<ul style="list-style-type: none"> Obtained ZM signed pick list allowing the credit sale to the customer. Obtained and reviewed KPI meeting presentation and ensured that the debtor balances and debtor days are included in the same. 	There are no formal credit limits assigned to distributors therefore system based application controls cannot be applied. Company is relying on manual controls which may be subject to human errors.
Goods Despatch	Goods despatched are in accordance with the customer order and that sales are completely and accurately recorded in the inventory module.	<ul style="list-style-type: none"> No invoice can be generated unless a SOF for the same has been entered into the SOP. Inventory is updated in SOP on the basis of invoice. All deliveries are acknowledged by distributors on duplicate invoices which are returned to the ZO by the transporter. 	Obtained sales invoices and checked that the same matched with the SOF; also ensured that and the invoices were duly acknowledged by the distributors.	None
Receipts	Cash receipts are accurately recorded and in the proper period.	<ul style="list-style-type: none"> Upon receipt of the cash deposit instrument (deposit slip or demand draft) and updated SOP file (collection register) from ZO, the FE-Treasury performs one for one matching of the instrument with the information in SOP file. At month end, bank reconciliations are prepared and balances from subsidiary accounts are transferred into the GL. 	<ul style="list-style-type: none"> Checked that bank receipt entries in subsidiary modules are posted with the correct amount and in the correct period. Reviewed bank reconciliation statements for selected months and also ensured that the same are approved by FM and FC. 	Circularisation of customer balances is not performed on periodic basis.

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COMMERCIAL/SALES TRANSACTIONS - SALES AND DISTRIBUTION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Discounts	All the discount schemes are in accordance with the approved budgets and are approved by the relevant authorities.	<ul style="list-style-type: none"> Prior to the approval of discount schemes, FC ensures that the all the proposed discount schemes are in accordance with the budgets. Further, all the discount schemes are also authorised by the FC and NSM. 	Reviewed the comparison of actual discounts with the budgets and ensured that the same were approved by the relevant authorities.	None
Discounts	Discounts offered to institutional customers are feasible for the company.	Margin analysis is prepared for proposed terms of sales for each institutional customer approved by BM and FC.	Reviewed margin analysis for selected customers and checked that same is approved by BM and FC.	None
Discounts	On invoice, discounts are properly incorporated in the invoices.	<ul style="list-style-type: none"> Approved discounts schemes are entered in SOP at HO by FE-S&D and the updated file is sent to ZO for updations of the systems. All on-invoice discounts are calculated by the system on the basis of defined scheme. 	<p>Obtained invoices and checked that on invoice discounts were as per the approved discount schemes.</p> <p><i>(Refer SPA for further validation procedures performed.)</i></p>	Changes in the discount schemes in the system to be reviewed by a person independent from one updating the system.
Discounts	Off invoice discounts claimed by the distributors are valid.	Off invoice discount claims are approved by the ZM and ZA after verifying the same with the accompanying supports.	Obtained discounts claims lodged by the customer and ensured that the same were approved by ZA and ZM and backed by proper supports.	None
Discounts	Claims lodged by the distributors for 'Distribution Sales Force' are valid.	<ul style="list-style-type: none"> ZA verifies the supports for expenditures claimed by the distributor and approves the same. Further, selection and finalisation of sales staff employed by the distributor rests with the company's 	Obtained DSF expense claims by the distributors and ensured that the same were approved by ZA and backed by proper supports.	None

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COMMERCIAL/SALES TRANSACTIONS - SALES AND DISTRIBUTION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
		designated sales executive for the area. <ul style="list-style-type: none"> Maximum amount to be shared with the distributor is mentioned in the agreement and ZA ensures that expenses claimed by the distributor does not exceed the specified limit. 		
Discounts	Bulk discount given to distributors are approved and computed accurately.	NSM prepares estimated sales report for major distributors and detailed computation for proposed bulk discount scheme. Such computations are subject to review and approval by FC and MD.	Obtained approved bulk discount scheme and ensured that the same is used for the computation of monthly discount.	None
Discounts	Policy for PPD is approved and discount given to distributors is computed accurately and in accordance with the policy.	<ul style="list-style-type: none"> There is an approved policy for PPD specifying the rate at which such discount is given to the distributors. Computation for PPD is made by ZA which is subject to review by AO. 	<ul style="list-style-type: none"> Obtained approved PPD policy which only mentions the rate of the discount to be given to distributors and checked that the same is applied for determining the discounts for the distributors. Checked on sample basis that PPD is allowed to distributors from whom payment is received 	<ul style="list-style-type: none"> No documented policy exists for the eligibility of the distributor for PPD. Eligibility of the distributor is not automatically determined by the system, rather ZA manually determines the same on the basis of information obtained from SOP. <p>Further, minor differences have</p>

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COMMERCIAL/SALES TRANSACTIONS - SALES AND DISTRIBUTION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
			on advance basis or by the end of next day of the delivery of stock.	been found between PPD allowed to distributors and the discount to be given at specified rate of sales.
Selling and Distribution Charges	Expenses reimbursed to field force personnel, WI and to ZM are actually incurred and are for the purpose of business.	<ul style="list-style-type: none"> • ZA and AO check the expenses claimed by the field force personnel, WI or ZM that the same are backed by proper supports. • Management reviews zone wise expenses on monthly basis and investigates major variations. 	Obtained claims submitted for reimbursement of expenses on sample basis and ensured that the same are backed by proper supports and approved by ZA and AO.	None
Selling and Distribution Charges	Allowances given are as per the company policy.	Daily travellings details are reviewed and approved by ZM. Further, ZA and then AO checks that the allowances claimed as per the approved policy.	Obtained claims for allowances on sample basis and checked that the same is approved by ZA and AO and allowances claimed are in accordance with the approved policy.	None
Recording and Book Keeping	Postings to the revenue and receivable accounts in the general ledger are complete and accurate.	Entries from the sales subsidiary module to the GL are recoded on daily basis. The closing entry is approved by FM.	Obtained and reviewed reconciliation between the general ledger and SOP.	None
Recording and Book Keeping	Invoices/Deliveries are recorded in the proper period.	<ul style="list-style-type: none"> • Invoice is generated and sent to the customer along with the goods, therefore sales is booked at the time of delivery of goods. 	<i>(Refer SPA for restriction on back dated entries.)</i>	None

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COMMERCIAL/SALES TRANSACTIONS - SALES AND DISTRIBUTION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
		<ul style="list-style-type: none"> Reconciliation between goods as per physical stock check, bin cards and stock as per SOP is prepared by ZA on monthly basis. 		
Recording and Book Keeping	Correct postings are made in the ledger and are recorded in the proper period.	<ul style="list-style-type: none"> The FE – S & D makes journal entries to summarise transactions in the accounts receivable sub-ledger and updates these entries into GL at month end. The GL is reconciled with the SOP as part of monthly closing process. 	Obtained and reviewed reconciliations between the GL and SOP for selected months.	None
General	Duties are adequately segregated.	Segregation of duty with respect to the following task exists: <ul style="list-style-type: none"> Order entry; Invoicing; Dispatching; and Inventory custody. 	Observed the sales order processing and despatch process.	Person invoicing the goods also receives distributors' acknowledgement.
General	Price, invoice amount, tax and other information on the invoice are correct.	<ul style="list-style-type: none"> Price list, tax, discount and other information is updated in SOP on timely basis by finance department which is used for generating invoices. Quantity on invoices is extracted from the SOF databases. 	Checked invoices on a sampling basis to ensure that approved price structure were correctly used; also ensured the appropriateness of ancillary information.	None

BUSINESS CONTROL MATRIX

COMMERCIAL/SALES TRANSACTIONS - SALES AND DISTRIBUTION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
General	Duties are segregated for sales collections and its postings.	Entry for customer collection, in SOP is posted by SOP operator at ZO on the basis of a deposit slip / DD submitted by distributors. Whereas FE-Treasury at HO performs one for one matching of the deposit instruments with SOP.	Observed that updated SOP file is sent from ZO to FE – treasury where one for one matching is performed.	None

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COMMERCIAL/SALES TRANSACTIONS - PROCUREMENT

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Import	POs raised are valid, accurate, complete and approved in relation to the buying requirements of the business.	Production plan is finalised in Production Coordination Meeting which is sent to the procurement coordinator in UK by FcM. TC in coordination with the FC finalises the monthly purchase requirements with the procurement coordinator in UK on the basis of which the same arranges to procure the raw tea on behalf of Tetley Clover (Private) Limited – Pakistan.	N/A	None
Import	Purchases may be made at higher price.	All the purchases for raw tea are made by the Tetley UK from their selected suppliers.	N/A	None
Import	Contract with Bank may not be approved.	Letter for import contracts with the banks are signed by the authorised signatories.	Obtained contracts with bank on sample basis and ensured that the same is approved by FC.	None
Import	Commission and other charges may be paid to clearing agent higher than the commercial rates.	FE checks the accuracy of the bill and validity of charges claimed by the clearing agent, which is then also reviewed by FM.	Obtained clearing agent bills on sample basis to check the proper supports are attached for expenses claimed and the same is approved by FM and FC.	None
Local Purchases	PO raised, is valid, accurate, complete and approved in relation to the buying requirements of the business.	PO is raised on the basis of approved PR. All the POs are approved by FC.	Obtained POs and ensured that the same is backed by approved PR and further approved by FC.	None

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Local Purchases	Duties are adequately segregated.	<ul style="list-style-type: none"> Purchase requisitions are raised by the person independent of the one placing the orders with the supplier. Person approving the purchase order is independent of the one raising the order. Goods are received at the factory independent of the person placing the order with supplier. 	Obtained organisational chart and observed that the same is being followed.	None
Local Purchases	Goods received are as per the purchase order.	<ul style="list-style-type: none"> Goods received are subject to quality testing performed by QI. GRN is matched with PO at the time of making the payment. 	Obtained selected GRNs and matched the same with PO.	None
Local Purchases	Payments are made within the credit time limit provided by the supplier.	Due date for invoices are maintained in an excel based sheets by FE-FA and sheet is attached with the invoice processed for payment to ensure that no invoice is paid before the same is due.	Obtained invoice ageing sheet and observed that the same is reviewed by FC before authorising the payment.	None
Local Purchases	Duplicate recording of invoices are prevented.	<ul style="list-style-type: none"> FE-FA maintains a log of GRNs and corresponding invoices in an excel based sheet. When payment is made against any GRN, they are attached with the payment voucher separately from unpaid GRNs. 	<ul style="list-style-type: none"> Reviewed the excel based sheet maintaining the status of GRNs and invoices on sample basis. Observed that GRNs are attached with payment vouchers. 	None

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COMMERCIAL/SALES TRANSACTIONS - PROCUREMENT

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Local Purchases	Postings of expenses and accruals in GL are complete.	Excel based sheet of GRNs is maintained containing the reference of relevant invoices by FE-FA. At month end the list of GRN is reviewed for the purpose of accruals.	Reviewed the excel based sheet of GRNs.	None
Local Purchases	Entries to incorrect vendor accounts are detected.	Balances are circularised to the suppliers via email on monthly basis and reconciliation is prepared which is reviewed by FM.	Reviewed selected confirmation being sent to the suppliers and reconciliation with supplier balances.	None
Local Purchases	Payment can only be made for goods received.	Invoices received from the supplier are matched with the PO and GRN at the time of processing of invoices for payments.	Obtained selected invoices and ensured that the same is backed by PO and GRN.	None
Local Purchases	Payment is made to the correct payee / vendor.	All the payments are made through pre-crossed cheques in favour of respective supplier or vendor.	Observed that the company only uses cross cheques to make the payment.	None
Local Purchases	All the payments made have been accounted for and in the proper period.	Bank reconciliations are prepared and approved for all the bank accounts on monthly basis.	Obtained and reviewed selected bank reconciliation statements.	None
Local Purchases	Purchases are made only from approved supplier.	<ul style="list-style-type: none"> List of suppliers for packaging materials is approved by FC. PM ensures that orders are placed only to suppliers included in the list. 	Obtained selected PO for packing materials and ensured that the same is made to approve supplier.	None

BUSINESS CONTROL MATRIX

COMMERCIAL/SALES TRANSACTIONS - PROCUREMENT

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
		<ul style="list-style-type: none"> For other items, supplier is approved by the FC and the head of indenting department. 		
Local Purchases	Purchases may be made at higher price.	Quotations are invited which are subject to approval by FC.	Obtained selected PO and ensured that the at least two quotations are obtained from the suppliers before selecting the supplier.	None

TETLEY CLOVER (PRIVATE) LIMITED REVIEW OF INTERNAL CONTROLS

BUSINESS CONTROL MATRIX PROMOTIONAL EXPENSE ACCOUNTING

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BUSINESS CONTROL MATRIX



PROMOTIONAL EXPENSE ACCOUNTING - ADVERTISING AND PROMOTION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
General	Monitoring of expense against budget.	Comparison of budgeted and actual expenditure is prepared on monthly basis in 'Achievement Reporting' along with the commentaries for variances and is being send to UK Group Finance Reporting Manager.	Observed the Achievement Reporting process.	None
Advertising	Accrual made is accurate, complete and is recorded in the correct accounting period and account.	At each month end, accruals for advertising expenses are recorded on the basis of the media plan agreed with the channels, forwarded by BM to the Finance department and such accrual is reviewed and approved by FC.	Checked on sample basis that accrual is made on the basis of approved media plan being sent by BM to FE-A&P.	Accruals for advertising are not reviewed and adjusted for possible deviations from media plan.
Advertising	Actual expenses recorded and payments made are for the services received.	HoR checks the invoice details with third party tracking data and stamps it as ' <i>Duration & Spot Order Found Ok</i> ' before forwarding the same to Brand Manager for authorising it for payment.	Verified, on a sampling basis, that the payments are made on the basis of Media Plan, ROs and invoices paid are stamped for ' <i>Duration & Spot Order Found Ok</i> '.	Some of the invoices were not matched with the RO before authorisation for payment.
Promotion	Promotional activities carried out are authorised and within the budgeted expenditures.	<ul style="list-style-type: none"> For every promotional activity, CFN is prepared which is authorised by the FC. It is ensured that the budgeted funds are available for the proposed promotional activity. 	Obtained CFN and checked that proper approvals have been made.	None

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BUSINESS CONTROL MATRIX



PROMOTIONAL EXPENSE ACCOUNTING - ADVERTISING AND PROMOTION

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Promotion	Accrual made is accurate, complete and is recorded in the correct accounting period and account.	Accrual is made on the basis of approved CFN which is reviewed at each month end for appropriateness.	Obtained CFN on a sampling basis and ensured correct accruals were carried in respect thereof.	Accruals for promotional expenditures are not monitored against actual promotional activities at each month end.
Promotion	Discounts and Promotional expenses are identified according to the group policy and booked accordingly.	Promotional activities carried out so far by the company are easily distinguishable from discount schemes. For discount schemes trade offer letters are prepared and approved while for promotional expenses CFN is prepared and authorised.	Checked that for discount schemes trade offer letters are prepared and discounts are booked in correct classification while for promotional expenses CFN is prepared and booked accordingly.	None

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BUSINESS CONTROL MATRIX PAYROLL

TETLEY CLOVER (PRIVATE) LIMITED
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BUSINESS CONTROL MATRIX
PAYROLL



BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Time Recording	All evidences of service performed are obtained.	<ul style="list-style-type: none"> Attendance sheets including overtime for factory and ZO employees are approved by the respective managers. For HO employees, attendance sheets are received from administration department which accumulates the data using swipe cards. 	<p>Observed that the attendance sheets are properly authorised by the respective managers.</p> <p>In case of HO employees, computer generated attendance sheets sent to payroll department was obtained for selected months.</p>	None
Time Recording	Overtime worked is authorised.	Attendance sheets including overtime at factory and ZO are approved by FcM and ZM respectively.	Observed that the attendance sheets, including the overtime for factory and ZO employees, are approved by the respective managers.	None
General	Duties are adequately segregated.	<ul style="list-style-type: none"> Appointment letters and resignations are subject to approval by MD, however responsibility for updating the master data in payroll system rests with Payroll officer in Payroll department. Computation and processing of salary for each employee is the responsibility of the Payroll executive and reviewing responsibility rest with PrM. 	Observed through internally generated documents that the duties are appropriately segregated.	None

TETLEY CLOVER (PRIVATE) LIMITED
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BUSINESS CONTROL MATRIX
PAYROLL



BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
General	Fictitious payroll data entry is prevented.	<ul style="list-style-type: none"> Employee profiles are created in master database subsequent to the approval of appointment letter by MD. Access rights to the master data are restricted to limited users. Reconciliation between current month's and prior month's salary expense is being prepared and approved. 	<ul style="list-style-type: none"> Checked on sample basis that appointment letters are signed by MD. (Refer SPA for restriction on back dated entries.) Checked that monthly reconciliation is prepared and approved. 	Payroll reconciliation prepared by the outsourced payroll department is not reviewed by the management of the company.
Loans to Employees	Loan given to employees are approved and as per the company policy.	All loans granted to employees are subject to approval by MD.	For selected loans given to employees checked that the same is approved by MD and as per the company policy.	None
Payroll Processing & Recording	Payroll is input in the proper period.	Salary reconciliation is prepared by Payroll Officer which is reviewed by PrM .	Observed that the salary reconciliation is properly made and authorised.	None
Payroll Processing & Recording	Taxes are deducted from salaries as per tax regulations.	<ul style="list-style-type: none"> Employee taxes are entered in payroll database and deducted at the time of processing of salary. Computation of payroll taxes are subject to approval by PrM of SIZA (Pvt) Limited. 	Checked on sample basis through salary sheet that tax is deducted from salaries of employees at the applicable rate.	None

TETLEY CLOVER (PRIVATE) LIMITED
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BUSINESS CONTROL MATRIX
PAYROLL



BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Payroll processing & recording	Loan given to employees are properly deducted from salaries.	<ul style="list-style-type: none"> • Loan terms are entered into the payroll system by Payroll Officer. • Loan instalments are deducted from employee salaries at the time of processing of monthly salaries by the system as per the terms. 	For selected employees, checked that loan deductions have been made as per the approved loan terms.	None

TETLEY CLOVER (PRIVATE) LIMITED REVIEW OF INTERNAL CONTROLS

BUSINESS CONTROL MATRIX MANAGEMENT AND CONTROL OF ASSETS

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX



MANAGEMENT AND CONTROL OF ASSETS - PRODUCTION AND WAREHOUSING

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Inventory Receiving	Goods received are as per the quality standards agreed with the supplier.	QI inspects and tests the goods received for quality.	Obtained and reviewed quality inspection document for selected consignment of goods.	None
Inventory Receiving	Goods received are recorded in inventory sheet completely and accurately.	GRNs are pre-numbered and a copy of GRN is sent to FE-FA at HO along with the copy of inventory sheet who ensures that the same has been updated accurately on the basis of GRNs.	Obtained copies of GRNs and observed that the same are pre-numbered and have been recorded in inventory sheet accurately.	Cut-offs for month end GRNs are not recorded at the time of physical stock check.
Inventory Issuance	Issue of material for production is authorised.	The SI and FM approves the MRNs.	Obtained MRNs on sample basis and ensured that the same is approved by SI and FM.	None
Production	Blend produced is as per the Tetley UK's specification.	MRN is prepared according to IPO specifying the blend to be used which is approved by SI and FM.	Observed that MRN is prepared with reference to blend number and matched the same with IPO.	None
Production	Goods produced are as per the quality standards.	QI tests the blended tea before clearing the same for packaging.	Observed that 'OK' stamps are affixed by Quality Control Department on blended tea containers containing the blended tea before the same are cleared for packaging.	None
Production	Transfers of production to FG are appropriate.	Production reports are prepared on daily basis by production supervisor and approved by the FcM.	Obtained production reports on sample basis and ensured that the same are approved by FM.	None

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX



MANAGEMENT AND CONTROL OF ASSETS - PRODUCTION AND WAREHOUSING

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Dispatch of Finished Goods	All inventory dispatches are authorised in accordance with the dispatch plan.	<ul style="list-style-type: none"> Inventory is dispatched to ZO as per the despatch plan communicated by AMPL. Goods are allowed to leave the premises only on the basis of delivery challans approved by FM. 	Obtained delivery challans on sample basis and checked that the same is approved by FM and further in accordance with the dispatch plan.	None
General	Access to physical inventory and related documents are restricted.	<ul style="list-style-type: none"> Satisfactory security measures exist over entry and exit of vehicles from the factory. Management personnel responsible for inventory custody, shipping, purchasing and receiving are separate from personnel responsible for supervision of monthly physical inventory counts. 	<ul style="list-style-type: none"> Observed that proper security measures are in place on entry and exit points of the factory. Obtained signed listings evidencing the monthly physical counts carried out by FE-FA. 	None
General	Ability to access inventory records is restricted to authorised users and inventory records are reliable.	Inventory sheets are only maintained by FE-FA.	N/A	Inventory is maintained on excel based sheets which are susceptible to unauthorised modifications and loss of data. Passwords are not used for excel sheets.

TETLEY CLOVER (PRIVATE) LIMITED
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BUSINESS CONTROL MATRIX



MANAGEMENT AND CONTROL OF ASSETS - PRODUCTION AND WAREHOUSING

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
General	Duties are adequately segregated.	Appropriate segregation of duties is maintained for physical custody of inventory and record keeping.	Obtained organisational structure and ensured that the same is being followed.	None

For **Management and Control of Assets** also refer '*Accounts and Administration – Treasury*' and '*Accounts and Administration – Fixed Assets*'.

TETLEY CLOVER (PRIVATE) LIMITED REVIEW OF INTERNAL CONTROLS

BUSINESS CONTROL MATRIX MANAGEMENT REPORTING

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX
MANAGEMENT REPORTING



BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Financial Reporting	Chart of account is complete and accurate.	Chart of account has been designed by the management so that to ensure that it fulfils the disclosure requirements of FDC and financial reporting.	Obtained FDC for a selected month and ensured that the same was prepared on using the trial balance.	None
Financial Reporting	Monthly FDC reporting is accurate and as per the books of the company.	Account codes as per trial balance are mapped to FDC format in an excel based sheet which is subject to monthly review by FM.	Obtained FDC for a selected month and ensured that the same was prepared on using the trial balance.	Excel based mapping sheets are susceptible to human errors and unauthorised modifications.
Recording in GL	Postings from sub-ledger to GL are made completely, accurately and in the proper period.	Entries in GL are manually posted using the balances maintained in sub-ledgers; as part of the monthly closing process, sub-ledger owner reconciles the GL with the sub-ledger and any discrepancies are researched and corrected as necessary.	Observed that the stated process is followed for monthly closing.	None
Recording in GL	All journal entries are approved by appropriate level of management.	All journal entries are subject to review and approval by FM who compares the same with the source documents including validation of the date to ensure the documentation is adequate and sufficient, and that the entries are recorded in the proper period.	Observed that all journal entries posted in the ledger are subject to review by FM.	Entries take effect in the ledger before the same are approved by FM.

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BUSINESS CONTROL MATRIX
MANAGEMENT REPORTING



BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	VALIDATION PROCEDURES FOR EXISTING CONTROLS	CONTROL GAP / WEAKNESS IDENTIFIED
Performance Measurement	Management reviews the performance of the business and monitors the variances with the budgets on regular basis.	Monthly KPI meeting, headed by MD, is held in which KPI for the business are analysed. Further, variances from budgets are also analysed in 'Achievement Reporting' as part of the budgetary control process.	Reviewed Achievement reporting for selected months.	None

TETLEY CLOVER (PRIVATE) LIMITED REVIEW OF INTERNAL CONTROLS

BUSINESS CONTROL MATRIX IS & IT RELATED PROCESSES

INFORMATION TECHNOLOGY GENERAL CONTROLS

IDENTIFICATION OF CONTROL GAPS AGAINST CONTROL OBJECTIVES

BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
1. Program Change Management	Formal standards exist for managing changes to systems.	There is a formal process for managing changes to systems and is defined in policies and procedure for configuration management. These policies and procedures have been approved by Head of Finance (HOF) and IT Project Manager (outsourced).	IT policies and procedures including policy and procedures for configuration management are not approved by the board of directors / IT Steering Committee.	Examined approved policies and procedures for configuration management.	N / A
	All changes and modifications are carried out with the approval of system owner.	All changes and modifications are initiated by the user through PCR Form which is approved by the HOF and CRM Team.	None	Examined PCR Forms on sample basis for evidence of management approval.	None
	Adequate controls are in place to log all change requests.	Program change is initiated though PCR Form which is approved from HOF and CRM Team. Moreover, all changes are manually logged in an excel file.	System generated logs are not available. No versioning tool is used to ensure integrity of code in the live environment.	Inquired CRM Team for logging of program changes.	Log for program changes maintained in excel file was not provided to us for our review.

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REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX
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BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
	Appropriate procedures are in place to ensure that changes are completed in an effective manner.	CRM Team Lead assigns an estimated target date for each change.	Scope and baselines for the change are not documented in the PCR Forms.	Reviewed PCR Forms for estimated target date for program change.	The target completion date for change is not mentioned in the PCR Form.
	The order of the program change implementation reflects the priorities assigned to them.	Although, there is no defined policy for prioritising changes as to their criticality, however, change request for Sales Order Processing (SOP) System has a higher priority than changes in General Ledger (GL) System. PCR Form has specific field for priority of changes to be filled by user and CRM Team.	Configuration management policy does not cover prioritization of changes.	Checked priority field in PCR Forms.	Priority field is not filled by both the user and CRM Team in the PCR Forms.
	Development and testing environment are physically or logically separated from live environment.	Live environment is physically segregated from development and test environment. Development and testing is performed on a same server which is logically segregated.	None	Ensured that live and development environment is physically segregated.	None
	Adequate testing carried out for program change.	Developer performs Unit and Integration Testing for	Testing standards are not documented.	Inquired developer for evidence of testing	Results of Unit, Integration and Quality Assurance

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BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
		each major change. CRM Team performs the quality assurance review of all changes before User Acceptance Testing (UAT). Test cases are developed for all major changes.		performed and its results. Checked PCR Forms for evidence of quality assurance review by the CRM Team.	Testing are not documented.
	Adequate controls exist to prevent or detect unauthorised changes to the source code after UAT but before migration to live environment.	Version number of the change, appearing on the interface of the application, is compared with the version number of the application migrated into the live environment to ensure correct transfer of executables into the live environment.	None	Examined access rights on test and live environment.	None
	Program change is deployed upon satisfactory completion of UAT.	On satisfactory quality assurance review by CRM Team, change is formally tested by the user and test cases are developed for major changes. Once user is satisfied, PCR Form is signed off by the user.	None	Checked PCR Forms on a sample basis for test cases and user sign off.	We have noted that PCR Form is not signed off by the user after UAT.
	All program changes are migrated by an independent person. No	The changes are made by the System Developer (Ms. Razia Mahmood), quality	None	Checked access rights on the live environment.	None

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BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
	developer has access to the live environment.	review is performed by CRM Team and migration to the live environment is carried out by the System Administrator or Database Administrator.		Checked OS logs for application server for the month of July 2007 to ensure that only authorized users have access to application server.	
	Programs running at Head Office (HO) and Zonal Offices are updated with the most recent version of the program.	Every program is assigned a version number which is appearing on the application interface. CRM Team periodically ensures that application is running with the updated version of the program.	None	Checked emails relating to program change implementation sent to Zonal Offices.	None
	User / technical manuals are approved and updated for system users.	User / technical manuals for SOP and GL have been approved by the HOF and IT Project Manager.	None	Checked approved copies of the user / technical manuals.	None
	Adequate training is provided to system users.	Induction trainings are conducted for the new joiners in which necessary training is provided relating to system, password and other security aspects.	None	Inquired from seven users about training.	None
	Availability and usability of the user documentations in respect of the systems.	The systems have a written user guide, to which users have ready access.	None	Inquired users about their access to user manuals.	None

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BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
2. User Access Management	Adequate process exists to ensure that all users and administrators have unique user ID.	All users and System Administrator use unique user ID.	There exists a generic ID "Sqa_Admin" on Operating System (OS) database of application server.	Examined list of user IDs for application. Furthermore, logical reviews of OS and Database were performed to determine access levels.	None
	Duties are adequately segregated within IS & T Department.	All critical roles and responsibilities within IS & T Department are adequately segregated to ensure integrity and availability of information.	None	Analyzed user access rights within IS & T Department.	Database Administrator has also administrative rights at OS.
	Adequate controls exist on creation of new users.	Access to domain, email and application is granted through UAC Form which is approved by the HOF. In case of access for application, a separate email is sent by HOF to IS & T on which role to be assigned is mentioned.	None	Confirmed with System Administrator process for granting users access. Examined UAC Form for incoming employees.	None
	Database and direct data access methods have been defined and considered in designing security administration and security monitoring controls.	Application users are authenticated through database. Database Administration rights are restricted to authorised personnel.	No documented policy exists for management of direct data access.	Performed technical review of the SQL Server Inquired with CRM Team and Database Administrator for database related activities and monitoring of these activities.	Logs for critical database activities including object created / deleted and accessing security settings are not maintained at database level.

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BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
	Appropriate process exists to ensure that access is appropriately changed on a timely basis when employees are transferred or terminated.	Human Resource Department intimate IS & T Department about outgoing employees through user deletion form which is signed by HOF. On receipt of form, Operations Team Lead emails <ul style="list-style-type: none"> – Cybernet for deletion of user ID and email address; and – Database Administrator for deletion of application user ID. 	None	Checked sample of user deletion forms for timely deletion of user IDs on application.	None
	System, system files/directories should be protected from unauthorised access.	Only System Administrator and Database Administrator have full access to application server. Access to shared folder on network is granted on approval of HOF.	None	Observed file permissions on system files / directories. Observed Audit logging setting at Domain Controller and Application Server Checked UAC Form for evidence of authorisation	Audit option is not enabled for the following critical activities at Windows 2000 Domain Controller and Application Server: Domain Controller <ul style="list-style-type: none"> – Account logon events – Directory service access – Logon events

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BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
				on a sample basis.	<ul style="list-style-type: none"> – Object access – Policy Change – Privilege Use – Process tracking – System events Application Server <ul style="list-style-type: none"> – Policy Change
	Management has developed appropriate procedures for password protection (such as minimum password length, maximum age structure and history).	Guidelines for password protection have been broadly covered in the IT policy. Furthermore, there are other guideline materials used for password protection from group companies.	Password control feature at application level is not functional. As a result users cannot change their password.	Checked password setting for domain controller and application server.	Password parameters at domain controller and applications are not in accordance with the password policy and password guidelines of the company.
	User login accounts on domain and applications are locked after a specified number of failed logon attempts.	Lock out feature for application server is set to three invalid logon attempts.	None	Checked lock out settings for domain controller and application server.	Account lockout feature is not defined at domain controller and application.
		Lock out setting for domain user is controlled by Cybernet.			
		Lock out setting for			

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BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
		application is same as domain setting and no separate setting is developed for application.			
3. Problem Logging and Resolution	Controls exist to respond, address, and log calls related to IT issues and problems.	Mouse Tracks is used as a helpdesk system for logging issues raised by users.	Issues are not directly input to helpdesk application by users.	Generated list of tickets raised through Helpdesk application.	None
		System Administrator inputs the issue in the application whenever an issue is reported.		Ensured that no long outstanding ticket exists and all tickets are properly resolved and closed.	
		The application is again updated by the System Administrator on resolution of the issue.			
	Incident logging is periodically reviewed by the management.	Mouse Tracks system generates a report which is reviewed by System Administrator.	System Administrator is responsible for creation and closure of helpdesk tickets in the application.	Inquired management about review of Mouse Tracks system.	N/A
			No separate / independent review of the tickets is performed to check their existing status.		

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BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
4. Backup	Backup procedures should be appropriate for data and programs recovery.	<p>Backup policy and procedures are covered in IT policy and Standard Operating Procedures.</p> <p>Backup process is defined for database, applications and user data.</p> <p>Backup scheduling plan is developed for database. According to this plan differential backup is taken thrice a day at an interval of 4 hours and complete backup is taken each night at 9:00 pm.</p> <p>Application and user data are also backed up each night at 1:00 pm.</p>	<p>Standard Operating Procedure for backup does not cover the following:</p> <ul style="list-style-type: none"> – Tape rotation, retention and restoration of backup; and – Review of backup logs. 	Performed walkthrough of complete backup process.	None
	Backup retention supports and meets business requirements.	<p>Daily backup tapes are retained for one week.</p> <p>Monthly backups are retained for at least six month.</p> <p>All data since the company's inception is available on archives/backups.</p>	None	Inquired staff responsible for backups regarding retention of backup tapes.	None

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BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
	Backup medium should be stored in a secure location.	Backup tapes are stored in an onsite fireproof safe. Copies of backup tapes are also transferred to locker of bank. Furthermore, backup is also sent to DR Site – Kotri each night during the routine backup process through VPN.	None	Performed walkthrough of complete backup process.	None
	Backup and recovery procedures should be reliable.	System / Database Administrator verify that files have been written to tape. Backup restoration task are performed on a periodic basis to ensure effectiveness of backup process and availability of data. Every month, a full restore from backup is done onto another computer and tests are carried out to ensure reliability of backup.	None	Inquired staff responsible for backups regarding restoration of backups.	Application and database backup restoration tests are not documented.
5. SOP Data Uploading	Adequate controls exist on data files received from zonal offices.	Collection data file is sent daily to HO by authorised personnel at Zonal Offices.	Collection data file sent to HO is not encrypted and is sent using an unsecured network.	Performed walkthrough of the process for uploading of collection data.	Data sent by the Zones for upload to the Head Office server is editable during the upload process giving

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BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
		The file received at HO is uploaded into SOP by the Account Officer who compares the uploaded data with the source documents.			rise to risk of unauthorized changes. No system based control is in place to reconcile pre and post upload data.
	Ability to upload and download customer collection file is restricted.	Customer collection file is sent by authorized SOP Operators at Zones which is received and uploaded by SOP Administrator at HO.	None	Verified access rights of SOP Administrator at HO. Performed walkthrough of uploading and downloading process of customer collection file in test environment using test data.	None
	Adequate controls exist on data files received from Head Office.	Customer claims and master data file are sent to Zones by authorised personnel at Head Office. The files received at Zones are uploaded into SOP by the Zonal Officer.	Data files sent to Zonal Offices are not encrypted and are sent using an unsecured network.	Obtained an understanding of the process for uploading of setup and claims file.	Data files received by Zonal Office is in Microsoft Database (*.mdb) file format which is modifiable. SOP application does not restrict uploading of modified files.
	Ability to upload and download master setup	Data file is sent by authorized SOP	None	Verified access rights of SOP Administrator at HO.	Downloaded files are modifiable by operator

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BUSINESS PROCESS	CONTROL OBJECTIVE	EXISTING CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
	and customer claims files is restricted.	Administrator at Head office which is received and uploaded by SOP Operator at Zonal Offices.		Performed walkthrough of uploading and downloading process of data files in test environment using test data.	thus gaining access to application functionalities which were originally restricted.

APPLICATION CONTROLS

BUSINESS PROCESS	CONTROL OBJECTIVE	CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
6. Sales Order Processing System	Sales orders are recorded completely and accurately.	System generated number is assigned to every sales order.	None	Ensured that data extracted from master files is not editable by Zonal Accounts Officer.	None
		<p>Sales order is processed only when all the mandatory fields are entered. Mandatory fields in sales order include:</p> <p>(1) Product code;</p> <p>(2) Price;</p> <p>(3) Description; and</p> <p>(4) Customer code and name.</p> <p>The above data is extracted from master file and is not editable at sales order generation stage.</p>		Confirmed through testing in test environment that system generates sales order only when all the mandatory fields are input.	
	Sales are recorded completely and accurately.	<p>Sale is recorded when the invoice is posted / saved.</p> <p>For invoice generation reference of Sales order is mandatory. Customer and</p>	<p>Sales invoice is not linked with sales order and changes can be made in the invoice without modifying sales order.</p>	<p>Performed walkthrough of the sales order and invoice generation process.</p> <p>Checked various controls on</p>	Deleted sales order number can be assigned to another sales order.

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BUSINESS PROCESS	CONTROL OBJECTIVE	CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
		product code, description and quantity on the invoice are picked from the sales order.	A sales order posted into the system can be subsequently deleted.	creation of sales order and invoice in test environment.	
		Dispatch advice is printed once invoice is posted and is not editable.			
		Posted invoices once printed are not modifiable.			
	Only approved prices are input to the system and any change in pricing table is duly authorised.	Rights to maintain prices within the system are restricted to authorised personnel only.	None	Verified that price table can only be updated by authorised personnel.	None
		Price data is revised on written approval from the Marketing Department.			
	Invoice amounts are correctly posted into the customer subsidiary ledger and inventory quantities and sales tax are also accounted for accurately.	Customer account and stock quantity are automatically updated on generation of sales invoice.	None	Performed walkthrough of the sales order and invoice generation process.	None

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX
IS & IT RELATED PROCESSES



BUSINESS PROCESS	CONTROL OBJECTIVE	CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
	Customer addition and deletion is adequately controlled.	Customer accounts creation / deletion process is controlled at Head Office. In order to update customer master file on Zonal database, a setup file is sent via email attachment.	File sent to Zonal Offices is modifiable and new customers can be created without the need of having the necessary access rights.	Inquired Account Executive about the process for creation of new customer in the system.	N/A
	Customer collections are properly knocked off against outstanding invoices.	Receivables are knocked off against collections received from customers on FIFO basis.	System does not have the option to knock off receipts against a specific invoice.	Performed walkthrough of process for recording collection in SOP application.	None
	Customer credit limits are enforced in the system to ensure that sale to any customer does not exceed the authorised credit limit.	Credit management is controlled manually.	Credit limits are not set in system.	Reviewed application configuration for credit management.	N/A
	Sales order, invoice and delivery order are recorded in the proper accounting period.	Sales order, invoices and deliveries can only be recorded in an open accounting period.	None	Inquired from the management for the month end process. Reviewed accounting period in the system and ensured that only current month is open.	There is no documented procedure for period opening and closing of accounting periods. Periods are closed and opened on request of HOF via email.
	Sales returns are recorded accurately and completely.	When Sales returns are made by customers, two step process is used to	Stock return note and credit note are not linked and manual procedure is	Observed and verified the process of recording Sales return in the Sales Order	N/A

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX
IS & IT RELATED PROCESSES



BUSINESS PROCESS	CONTROL OBJECTIVE	CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
		<p>record its effect in the Sales Order Processing System:</p> <p>1) At Zonal Office, user updates the Stock register by creating stock return note.</p> <p>2) At Head Office, user inputs the credit note to record sales return against that specific order.</p>	<p>used to ensure that credit note has been recorded correctly against the stock item.</p> <p>Furthermore, credit note has no linkage to sales invoice. Quantity and rate of stock return is manually entered.</p>	Processing System.	
	User access rights are controlled in a manner to ensure that there are no conflicting duties.	<p>Access rights on SOP are managed in the form of groups. There are three types of groups which are</p> <ul style="list-style-type: none"> – SOP ADMIN; – SOP OPERATOR; and – SOP USER. <p>SOP ADMIN has full access over system including master setup, file export and import utility, all transactions and reports.</p> <p>SOP OPERATOR has access to all system options except rights for master setup. Whereas, SOP USER</p>	None	Analysed user access rights within the system.	None

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX
IS & IT RELATED PROCESSES



BUSINESS PROCESS	CONTROL OBJECTIVE	CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
		<p>has access to generate reports only.</p> <p>There is only one SOP administrator at HO.</p> <p>Rights are assigned on the approval from HOF.</p>			
7. General Ledger System	The ability to modify the chart of accounts and other general ledger standing data is restricted to authorized users and duties are adequately segregated.	<p>Chart of accounts can only be updated by GL Administrator.</p> <p>Access rights are approved by the HOF.</p> <p>Users on GL application are of three types:</p> <ol style="list-style-type: none"> 1- GL Admin – Complete Access. 2- GL Operator – Entry Options only. 3- GL User – View options only. 	<p>Rights are not assigned to users based on their responsibilities. All GL users at HO have same level of access rights through assignment of group GL Operator resulting in unnecessary rights.</p>	Reviewed and observed	N/A

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX
IS & IT RELATED PROCESSES



BUSINESS PROCESS	CONTROL OBJECTIVE	CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
	All accounting entries must be balanced.	The GL system ensures that all entries are balanced before posting.	None	Observed that the system rejects unbalanced accounting entries.	None
	All accounting entries posting documents (such as, journal voucher, Cash and bank receipt and cash and bank payments) are recorded accurately.	Each entry is assigned a unique number auto generated by the system. Account code and sub codes are predefined in the system.	None	Performed a walkthrough and ensured that system automatically assigns number to JV and entry is not processed unless account code and sub code is duly input.	None
	Accounting entries posting documents are recorded in the proper period.	GL System does not restrict users to make Journal entries in the closed periods.	None	Checked system based controls to ensure accounting entries posting documents are posted in the correct account period.	None
	The ability to post accounting entries posting document is restricted to authorized users and duties are adequately segregated.	Journal entries can only be posted by GL Admin and GL Operator. Access rights are approved by HOF.	Rights are not assigned to users based on their responsibilities. Five GL users at Head Office have same level of access rights i.e., GL Admin.	Reviewed access control list.	N/A
	Accounting entries posting document once posted cannot be modified.	System does not restrict editing of a posted accounting entry document.	Accounting entry posting documents can be modified after posting in the GL.	Performed a walk through of the system and checked system based controls on modification of the accounting entry posting documents.	System generated number for the deleted accounting entry posting document can be assigned to another posting document.

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX
IS & IT RELATED PROCESSES



BUSINESS PROCESS	CONTROL OBJECTIVE	CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
	Closing Request Process is limited to authorized personnel.	Period closing request is made by HOF to IS & T Department. Periods in application are closed by directly accessing the database by DBA.	None	Performed walkthrough of the Closing Request Process.	There is no documented procedure for period opening and closing of accounting periods. Periods are closed and opened on request of HOF via email.
	Journal entries originating in sub ledgers can not be modified once they are imported to the General Ledger.	Total Sales arising at each zone are manually entered in GL at month end. Whereas, customer collections at each zone are uploaded into the GL on a daily basis. Cost of goods sold is maintained in an excel file and manually entered in GL at month end. Fixed asset addition, disposal, write off and depreciation is maintained in an excel file and manually entered in GL at month end.	Collection entries are modifiable in general ledger. General ledger and subsidiary ledgers are not integrated. No application is used for recording Fixed Asset and Inventory transactions.	Performed testing on customer receipts to determine whether they can be modified.	None

TETLEY CLOVER (PRIVATE) LIMITED
REVIEW OF INTERNAL CONTROLS
BUSINESS CONTROL MATRIX
IS & IT RELATED PROCESSES



BUSINESS PROCESS	CONTROL OBJECTIVE	CONTROL ACTIVITY	CONTROL GAP IDENTIFIED	VALIDATION PROCEDURES	WEAKNESS IDENTIFIED
8. Payroll System	Tax and other deductions are calculated by the system completely and accurately.	Access to Payroll Application has been restricted to authorized SIZA personnel only. Income tax slabs are input in the system by IT Person upon management approval. System automatically calculates deductions when employee status is updated.	None	Performed walkthrough of Payroll Application. Validated controls and restricted access of application.	None

TETLEY CLOVER (PRIVATE) LIMITED
 REVIEW OF INTERNAL CONTROLS
 LEGENDS USED IN THE REPORT



APPENDIX - I



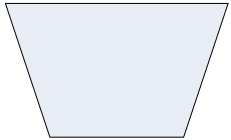
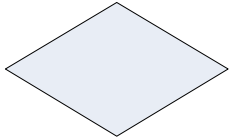

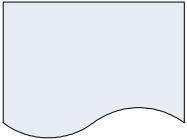
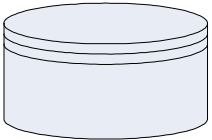
DESIGNATIONS		DOCUMENTS		DEPARTMENTS	
FE – A&P	Finance Executive – Advertising & Promotion	CFN	Commitment Form Number	PD	Procurement Department
FC	Financial Controller	AP Log File	Advertising & Promotion Log File	HO	Head Office
FM	Finance Manager	CER	Capital Expenditure Request	TCPL	Tetley Clover Private Limited
MD	Managing Director	RO	Release Order	CPL	Clover Pakistan Limited
FE	Finance Executive	FIR	First Information Report	ZO	Zonal Office
FE-Reporting	Finance Executive –Reporting	FAR	Fixed Asset Register	HoD	Head of Department
FE-S&D	Finance Executive – Sales & Distribution	GL	General Ledger		
NSM	National Sales Manager	PPE	Property Plant & Equipment		
BM	Brand Manager	GRU	Group Reporting Unit		
FE-import	Finance Executive – Import	SOP	Sale Order Processing		
FcM	Factory Manager	SKU	Stock Keeping Unit		
AMPL	Assistant Manager Planning & Logistics	KPI	Key Performance Indicators		
TC	Tea Consultant	SCM	Staff Clearance Memo		
PM	Procurement Manager	PP	Purchase Plan		
FE-Cash & Bank	Finance Executive – Cash & Bank	BOE	Bill of Entry		
PM	Purchase Manager	PO	Purchase Order		

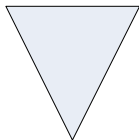


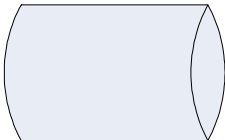
TETLEY CLOVER (PRIVATE) LIMITED
 REVIEW OF INTERNAL CONTROLS
 LEGENDS USED IN THE REPORT



APPENDIX - I

DESIGNATIONS		DOCUMENTS		DEPARTMENTS	
ZM	Zonal Manager	GRN	Good Received Note		
FE-FA	Finance Executive- Factory Accountant	SRN	Store Return Note		
QI	Quality Inspector	SOF	Sale Order Form		
SI	Store Incharge	DO	Delivery Order		
MM	Marketing Manager	FOB	Free on Board		
BS	Blend Supervisor	PCV	Petty Cash Voucher		
ZA	Zonal Auditor	IPO	Internal Process Order		
WI	Warehouse Incharge	BOM	Bill of Material		
AO	Audit Officer	PV	Payment Voucher		
HoD	Head of Research	PPD	Prompt Payment Discount		
PrM	Payroll Manager	DD	Demand Draft		
MM	Marketing Manager				
GI	Godown Incharge				

SYMBOL	DESCRIPTION
	Process
	Off – page connector
	Manual process
	Decision
	Communication via email or fax.
	Document
	Database

SYMBOL	DESCRIPTION
	Hard file
	On-page connector
	Start / Termination of a process
	Excel sheet