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| **Alert: You have unresolved diagnostic items from the last refresh of Canvas data.** |

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| **Engagement information** | | |
| **Entity name:** | | Summit Equipment |
| **Date of financial statements:** | | 31 December 20X6 |
| **Engagement name:** | | Summit Equipment year-end audit |
| **EY Canvas data fresh as of:** |  | 31/01/20X7 3:05:44 PM |

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| **Obtain an understanding of the SCOT** **[SCOT name]:** |

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**None identified.**

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| |  | | --- | | 🞧 | |  | | **SCOT characteristics and audit strategy** | | | | | | | |
| Preliminary audit strategy for this SCOT: | | | Controls reliance | | | | |
| Type of SCOT: | | Routine | Related in-scope IT applications: | | SAP | | |
| Select all characteristics that apply to this SCOT. | | | | | | | |
| 🞎 | Controls over this SCOT are rotated and are NOT tested in this audit period | | | | |  | |
| 🞎 | Includes related party relationships or transactions | | |  | | | |
| 🞎 | Highly automated | | | | | | |
| 🞎 | Entity uses a service organization within this SCOT | | | | | | |
| Provide a brief summary of the entity's use of a service organization within this SCOT: | | | | | | |  |
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| **Related party relationships and transactions** |
| Document our high-level understanding of the controls, if any, that management has established to: |
| Identify, account for, and disclose related party relationships and transactions in accordance with the applicable financial reporting framework: |
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| Authorize and approve significant transactions and arrangements with related parties: |
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| Authorize and approve significant transactions and arrangements outside the normal course of business: |
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Do not delete this bookmark!

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| **Initiation** | 🗶 |
| Creating the purchase order  When creating a purchase order, the purchasing clerk has to select the requested material for purchased and the preferred vendor from the master data files. The Inventory module automatically compiles all the information and generates a purchase order (PO) with a unique number. Any Purchasing clerk can create/maintain a PO for any product. The assistant purchasing manager reviews and approves the PO in the system. Two copies of the PO is being generated from the system, one for the vendor and the other for file.  Material Master file  To purchase a product, the product must exist or is active in the Material Master Data file. The setup of a new material is initiated by the Marketing department manager using a Material Master Request template. The completed template must be approved by the controller. The approved template is then submitted to the material master data maintenance clerks, who are part of the Purchasing department and are responsible for the material master data setup and maintenance in the Inventory module of SAP. The purchasing manager reviews and approves the set-up of the material master data in the system. End-user access rights to the material master data are limited to these two clerks and the Purchasing department manager (**control #1** End-user access to maintain material master data is limited to master data maintenance clerks and Purchasing manager).  Vendor file  To purchase a product, the vendor must exist or is active in the Vendor Master Data file. To input a new vendor in the Accounts Payables (AP) module, a Vendor Maintenance Request Form must be completed. A new vendor is initially selected by the Purchasing department manager, who negotiates the terms and fills in the form. The form must be approved by the controller. The approved vendor form is then submitted to the vendor data maintenance clerks who are responsible for the Vendor Master Data setup and maintenance in the AP module. End-user access rights to the vendor master data are limited to these clerks and the AP manager (**control #2** End-user access to maintain vendor data is limited to vendor data maintenance clerks and AP manager). | |

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| **Recording** | 🗶 |
| Recording goods and goods received notices (GRN)  Upon receipt of goods, a warehouse employee checks for any external damages and compares the quantities as well as types of received items to the packing notes of the vendor. A GRN is then generated from the system and will be stamped and signed by the warehouse supervisor and forwarded to the purchasing department. A Purchasing clerk accesses the related PO in the Inventory module and compares the PO specification to the GRN. When there are no inconsistencies, the system provides the function to add the delivery by clicking “Yes” in the section “Delivery matches order” and the related PO is set to “close”. The default application receipt date is the current date (**control #3** Goods are promptly entered into the system by the Purchasing clerk when received and the system automatically sets the current date as the application receipt date).  In cases wherein GRN do not the match the PO or damaged goods delivered are noted, the purchasing clerk needs additional information and reconciliation with the vendor before accepting the delivery in the system. The purchasing clerk performs one of the following to resolve any discrepancies:   * Sending the goods back (order cancelled) and issuing a new order (for under or over delivery) * Record a partial receipt of goods with the remainder of the order still pending (for under delivery) * Amending the initial order to reflect the accepted changes (order changed) (for under or over delivery)   On a daily basis, the inventory module creates a batch total, updating the inventory subsidiary ledger of the PO closed and partially closed (as a result of goods delivered), and automatically interfaces with the General Ledger module within SAP. | |

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| **Processing** | 🗶 |
| Invoice processing  The accounting department receives all invoices and forwards it to the purchasing department for three-way matching process. Once three-way match is confirmed, invoices are entered in the AP module by the AP clerks and approved by the AP manager for processing. The system requires the PO number when recording an invoice (**control #4**). The AP clerks select the vendor from the vendor master data and input the invoice amount, quantity, invoice date, and invoice number. Master data — e.g., vendor name, vendor number payment terms, VAT, tax identification number, vendor’s bank accounts — are pre-populated from the vendor master data and cannot be changed.  The AP module assigns a sequential AP invoice number. To avoid duplicate invoices, there is a front end system edit within SAP, which identifies the duplicate invoice number and then creates a pop-up error message.  Three-way match  Upon receipt of the invoice, a three-way match is being performed by the purchasing clerk. A report of the PO and the GRN is extracted from the inventory module to an excel file and the corresponding invoice is manually added to match the information between the three documents. Once done, this is being submitted to the purchasing manager for review and evidenced by the evaluation and sign-off of the preparer (the purchasing clerk) and the reviewer (the assistant to the purchasing manager). Exceptions to the three-way match are investigated by the assistant purchasing clerk (**control #5 -** *On a daily basis, the assistant purchasing manager reviews the three-way matching performed by the purchasing clerk between PO, goods received note (GRN) and invoice. The assistant purchasing manager performs the review by checking the three-way match report prepared by the purchasing clerk by extracting the PO-GRN report from the inventory module and manually enters the respective Invoice. The assistant purchasing manager reperforms the procedures performed by the purchasing clerk by checking the mathematical accuracy of the documents, tracing the PO to the file and the stamped and signed GRN, noting the date of the stamp coinciding with the application receipt date. The assistant purchasing manager then manually matches this to the vendor invoice, agreeing the goods purchases, quantity, unit price and supplier's name between the three documents. Any exception between PO-GRN and invoice noted by the purchasing manager in the three-way match report are investigated further by the assistant purchasing manager by coordinating with the warehouse and AP departments. Once satisfied with the resolution, the assistant purchasing manager approves the three-way matching report and provides this to the accounting department, for invoice processing and GL entry.*).  **Payables subsidiary and general ledger recording**  When the three-way matching process is completed and all exceptions are resolved, the AP clerk inputs the invoice in the AP module and the manager approves the invoice. Once approved, the system automatically updates the subsidiary ledger within the AP module. The AP module will automatically interface with the General Ledger module within SAP.  **Disbursements**  Cash disbursements are processed in SAP. The disbursements are matched to unpaid invoices in order to ensure that invoices are not paid more than once. As discussed above, the system prevents an invoice from being entered twice. The AP Clerk runs checks for all unpaid invoices in SAP and also makes copies of the checks to keep on record. All checks are then forwarded to the accounting manager for review and approval. The Accounting Managers reviews and discusses any unusual items with the AP Clerk and/or the Controller. The Controller signs all checks over CHF 5,000. The CFO signs all checks between CHF 5,000 and CHF 10,000, and all checks greater than CHF 10,000 are signed by both the CFO and the Controller. When the checks are processed, the AP batch automatically uploads to the GL, debiting Payables – domestic or foreign suppliers and crediting Cash. | |

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| **Reporting** | 🗶 |
| Monthly A/P reconciliatoin  Every month, a reconciliation is prepared by the Senior Accountant for each A/P account and reviewed by the Finance manager (**control #6** A/P sub-ledger is reconciled to the general ledger by the A/P manager on a monthly basis and reviewed by the finance manager.). The Senior Accountant will perform the reconciliation in a template in Microsoft Excel. The template includes information such as GL account number, GL amount, sub-ledger details, adjusting manual transactions, reconciling items and review and approval details.  If at this stage, there are no reconciling items, the Senior Accountant will physically sign off the reconciliation as prepared and submit it for review and approval.  If there are reconciling items, the Senior Accountant is required to investigate and resolve these until the total difference is less than CHF 100.  Each reconciliation is reviewed by the Finance Manager. As part of the review, the Finance Manager will check that the parameters of the reconciliation are correct by checking the opening and closing month end dates used, and performing a spot check between the closing balance in the A/P reconciliation and SAP.  Any unreconciled differences greater than CHF 10,000 are investigated and resolved before the end of the following month.  **Disbursements**  At the end of the month, the Accounting Manager prepares all bank reconciliations, which are then reviewed and approved by the Controller. See the Treasury walkthrough at **B05 (not included for learning purposes)** for further documentation. | |

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| **Confirm our understanding of the SCOT** **[SCOT name]:** |

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| **SCOT walkthrough: *For purposes of this documentation, we walked through three-way match (SE PUR Control 5) for learning purposes.*** | |  | 🗶 |
| Transaction(s) selected: | Purchase Order 487902723 | | |
| Individuals with whom we confirmed our understanding: | Purchasing Clerk - Dan Kirk  Assistant purchasing manager - Keith James  Purchasing Manager – Corey Fulton  AP Clerk – Rhonda Clark  AP Manager – Scott Gordon  Senior Accountant – Vladimira Tokareva  Controller – Seth Jeffrey  Accounting Manager – Corey Smith | | |
| Procedures performed to confirm our understanding: | | | |
| **(NOTE: References to B03.1 – B03.3, as indicated herein, are referenced for example purposes only. Hard copy evidences are not included for learning purposes.)**  **Initiation**  Purchase order creation  EY first inquired with the assistant purchasing manager, Keith James, how the purchasing process is initiated. Keith stated that purchase requests are received from any of the departments that would require the supplies requested for purchasing, duly approved by the requesting department manager. In order to initiate the purchase of material, the purchasing clerk has to select the requested material(s) from the master data file. EY inquired as to the creation of material item into the Master Data file within SAP. Per discussion with Keith, the setup of a new material is initiated by the Marketing department manager using a Material Master Request template. The completed template must be approved by the Controller. The approved template is then submitted to the material master data maintenance clerks who are part of the Purchasing department and are responsible for the material master data setup and maintenance in the Inventory module of SAP. The set-up is then reviewed and approved by the purchasing manager. End-user access rights to the material master data are limited to these two clerks and the Purchasing department manager (**Control #1** *End-user access to set-up and maintain material master data is limited to master data maintenance clerks and Purchasing manager, as preparer and reviewer, respectively*). To corroborate our inquiries with Alberta, EY walked through the transaction below:  We have selected one PO during the year that was already closed (i.e., delivered). The purchasing clerk, Dan Kirk, had received a request for the purchase of 140 pcs. 8 feet long 2.5 inch diameter metal poles, 230 pcs. 2,5 inch diameter metal T-joints, 135 pcs. 2.5 inch diameter metal Elbow-connectors, and 180 pcs. 8 feet x 8 feet 2 inch wide designer metal sheets. EY obtained the request for purchase at **B03.1 1/ (not included for learning purposes)**. EY noted that the request was approved by the warehouse department manager, the requesting department for this purchase. EY obtained a copy of the PO (**B03.1 6/) and** agreed the request to the PO, noting the appropriate amount of each item based on the request. EY checked the materials requested in the master data file, noting that the items requested were previously not in the file and were created for this purchase, as evidenced by the creation date reflected in the system. In order to corroborate that the items were appropriately approved, EY obtained the Material Master Request template for each of the items noting they were approved by the Controller at **B03.1 2/ (not included for learning purposes)**. In order to test that the access to the Master Data was in fact limited to master data maintenance clerks and purchasing managers, EY obtained a printout from SAP showing users with access to the Master Data file at **B03.1 3/ (not included for learning purposes)**, which was reviewed and approved by the purchasing manager. We note that all employees listed were either master data maintenance clerks or the purchasing manager. We also asked an employee from the HR Department, Steve Kim, to attempt to log in to the master data file, noting that Steve was unable to log in. Finally, our FAIT team tested the configuration of the system, as well as the design effectiveness of the control at workpaper **IT 03.1 (not included for learning purposes)**.  Vendor file  EY inquired of Keith how the vendor master file is updated and maintained to ensure data is accurate and vendors are legitimate. Keith stated that to purchase a product, the vendor must exist in the Vendor Master Data file. To input a new vendor in the vendor master data, a Vendor Maintenance Request Form must be completed. A new vendor is initially selected by the Purchasing department manager, who negotiates the terms and fills in the form. The form must be approved by the controller. The approved vendor form is then submitted to the vendor data maintenance clerks who are responsible for the Vendor Master Data setup and maintenance in the AP module. End-user access rights to the vendor master data are limited to these clerks and the A/P manager (**control #2** End-user access to set-up and maintain vendor data is limited to vendor data maintenance clerks and AP manager, as preparer and reviewer, respectively.).  In order to corroborate our inquiries with Keith, EY inspected the PO for the items requested to be purchased. We noted the preferred vendor, Metaliks, Inc. Vendor No. 970032748 was already included in the Vendor Master file since prior year, as evidenced by the creation date in the file. In order to corroborate that the vendor was initially approved, EY obtained the Vendor Maintenance Request form at **B03.1 4/** (**not included for learning purposes**) noting it was signed by the controller. EY obtained a printout from SAP showing users with access to the Vendor Data file at **B03.1 5/ (not included for learning purposes)**. We note that all employees listed were either vendor data maintenance clerks or the AP manager and that the listing was reviewed and approved by the Controller. We observed the AP Manager enter the system successfully as outlined by the screenprint. We also asked the Purchasing Manager, Corey Fulton, to attempt to log in to the vendor data file. Corey was unable to log in. Finally, our FAIT team tested the configuration of the system, as well as the design effectiveness of the control at workpaper **IT 03.2 (not included for learning purposes)**.  **Recording**  Goods and goods received notices (GRN)  EY inquired of the assistant purchasing manager, Keith James, what occurs after the goods have been ordered. Upon receipt of goods, a warehouse employee checks for any external damages and compares the quantities as well as types of items received to the packing notes from the vendor. The warehouse clerk then inputs it in the system to generate a GRN. The warehouse supervisor checks the GRN and compares it with the actual goods delivered and stamps and signs this evidencing his review. Stamped and signed GRN are forwarded to the purchasing department. To corroborate our inquiry of Keith, EY inspected the stamped and signed GRN for PO 487902723 noting that Charli Yung, Warehouse Employee, signed the GRN dated 3 September 20X6 (Refer to **B03.2 1/**).  Per Keith, the GRN was then forwarded to the purchasing department. Upon receiving the GRN, the purchasing clerk accesses the related PO in the Inventory module and compares the PO specification to the GRN. When there are no inconsistencies, the system provides the function to add the delivery by clicking “Yes” in the section “Delivery matches order.” The default application receipt date is the current date (control #3Goods are promptly entered into the system by the Purchasing clerk when received, while the default application receipt date is the current date.). In case the GRN do not the match the PO or damaged goods are noted, the system requires the input of additional information. The Purchasing clerk need to contact the vendors and reconcile the difference with them and perform either of the following:  For over-delivery of items:   * Send the goods back (order cancelled) and issuing a new order, cancelling the related GRN and PO in the system; or * Amend the initial order to reflect the items delivered as accepted changes (order changed), subject to approval of the purchasing manager. The GRN is accepted as delivered and the PO will be amended to reflect the change.   For under-delivery of items, in addition to the two courses of actions above, the purchase clerk may also record a partial receipt of goods with the remainder of the order still pending, accepting the GRN in the system and leaving the PO as open until the remaining order is fulfilled.  To corroborate our inquiry with Keith, EY inspected the GRN at **B03.2 1/** and reperformed the comparison with the PO (**B03.1 6/**) and GRN noting it agreed without exception. During our inspection of the GRN, we also noted that the goods were received on 3 September 20x6 and inspected by Charli Yung, the warehouse supervisor, and was entered promptly into the system, noting the stamp and signature of when it was uploaded in the GRN, which was on 4 Sept 20X6,evidencing the operation of Control 3 - Goods are promptly entered into the system by the Purchasing clerk when received, while the default application receipt date is the current date. We also note that the review made to match this to the PO, as evidenced by the tickmark notations and we reperformed agreement between GRN and the PO and noted no difference, thus further investigation was not necessary. To corroborate our inquiry of Keith regarding procedures being performed on mismatched items, we obtained another sample item showing evidence of the follow up procedures being performed on mismatched PO and GRN during the year. EY obtained another PO – PO #487902123 from earlier in the year dated 10 March 20X6, noting the Company ordered 135 Sprockets from Sprocket, Inc. (**B03.2 2/, not included for learning purposes**). EY inspected the related GRN and reperformed the agreement of the PO and GRN, noting only 100 items received. Per Keith, the vendor, Sprocket, was able to deliver initially 100 of the 135 ordered Sprockets, with the remaining Sprockets on back order. Sprocket invoiced Summit for only 100 items on 10 March 20X6. To corroborate the follow-up procedures performed with the vendor, EY inspected the email correspondences between Dan Kirk, the purchasing clerk and Sprocket at **B03.2 3/ (not included for learning purposes)**, noting the emails corroborated Keith’s statements regarding the order. Additionally, the remaining 35 Sprockets were received on 12 April 20X6, where Sprocket billed Summit for the remaining 35 items. EY obtained the GRN for the remaining 35 items dated 12 April 20X6 as well as the Invoice dated 12 April 20X6 noting 35 Sprockets were billed for (**B03.2 4/, not included for learning purposes**).  **Inventory general ledger recording**  We have inquired with Keith James how the recording of the inventory receipt takes place. Per discussion with Keith, the inventory module creates daily a batch total and automatically updates the inventory subsidiary to reflect the purchase order closed and partially closed (as a result of goods delivered). This then automatically interfaces with the General Ledger module within SAP. To corroborate this, we have inspected in the system the entries for the sample PO and GRN (**B03.2 5/**, **not included for learning purposes**), noting an entry on the respective inventory items and a credit to Payables – invoices to be received. We checked the creation date of the journal entry and noted this to be on 4 September 20x6, the date of uploading in the system. FAIT has also checked the configuration of the interface and documented the result on IT 03.3 (not included for learning purposes).  **Processing**  EY inquired of the AP Clerk, Rhonda Clark, as to the process for processing the receipt of the ordered items. Per discussion with Rhonda, the AP department receives all invoices. Invoices are stamped with the date of receipt. The invoice is forwarded to the purchasing department for checking and three-way match. Generally vendors include the PO number on their invoice. If there is no PO number, the purchasing clerk manually adds this on the invoice.  Once the three-way match is performed, invoices are then entered in the AP module by the AP clerks. The system requires the PO number when recording an invoice (**control #4 -** System requires the PO number when recording an invoice.). The AP clerks select the vendor from the vendor master data file and input the invoice amount, quantity, invoice date, and invoice number. Master data — e.g., vendor name, vendor number, payment terms, VAT, tax identification number, vendor’s bank accounts — are pre-populated from the vendor master data and cannot be changed.  To corroborate the inquiry of Rhonda, EY obtained the invoice for the PO selected for walkthrough at (**B03.3 1/**) dated 7 September 20X6 in the amount of CHF 15,895.15. The invoice was stamped with a receipt date of 9 September 20X6 with a receipt signature by the AP Clerk, Rhonda Clark. EY inspected the invoice noting the vendor included the PO Number on the invoice, and that it matched the PO number as per **B03.1 6/**. EY then obtained and inspected the screenprint of the SAP AP module noting the invoice was entered into the AP module on 9 September 20X6 (**B03.3 2/, not included for learning purposes**). EY reperformed the review of the information by matching the AP module and the invoice noting the supplier name, invoice amount and quantity, invoice date, and invoice number match without exception. The AP system assigned the invoice #201601331 which was in sequential order.  Invoice processing – Three-way match:  EY reviewed the Purchases process narrative for Summit Equipment (refer to ***Purchases Process Narrative (PM 8.2.2C)*** attached in Canvas).  EY inquired with Keith James the procedures being performed on the three-way matching.  Per discussion with Keith, the purchasing clerk prepares the three-way match by extracting the PO-GRN match report and manually inputting the respective invoice. The purchasing clerk then matches the PO, GRN and Invoice, noting the inventory description, quantity, document number, unit price, vendor name and number and date received. When exceptions are noted, the purchasing clerk initially performs an investigation and notes down the resolution. The purchasing clerk then provides the three-way match for my review. As part of the assistant purchasing manager’s review procedure, he will reperform the matching procedures performed by the purchasing clerk by agreeing the PO, GRN and Invoice per matching report with the respective copies of the documents. Mathematical accuracy is also being checked on the hard-copy documents and the date of the GRN application is being checked to ensure that this are within the policy, which is on or before 3 days after actual receipt of goods. Any exceptions noted are investigated further by coordinating with the warehouse and accounting department and noting the necessary actions needed to resolve this. Once satisfied, signature is affixed to evidence review and the completed three-way matching report is provided to the accounting department for further processing of the invoice and recording of the invoice.  To corroborate our inquiry with Keith James, we have reperformed the following:  We obtained the three-way matching report related to PO selected as sample. We noted the following documents:  Customer name: Metaliks, Inc.  PO Date: 29 August 20x6  PO Number 487802723  GRN No. 34985  Inventory receipt date: 3 September 20x6  GRN Application date: 4 September 20x6  Invoice No. 776809274  Amount: CHF 15,895.15  *d the resolution needed to be made.s selection has no difference noted, therefore, no follow-up procedure has been performed.*  We have inspected the three-way matching report **(B03.3 4/)** and noted the tickmark notations on the report, indicating review performed on the document, We obtained a copy of the PO, GRN and Invoice and reperformed the procedures performed, matching the information between the PO, GRN and Invoice without exception. We also noted the signoff performed by both Dan Kirk and Keith James, noting no exceptions. We also checked the GRN application date per report and noted this to be within the timeline set. Our sample selection has no difference noted, therefore, no follow-up procedure has been performed.  Disbursements  Per Rhonda Clark, once the invoice passes the three-way match and is inputted into the AP Module in SAP, the AP manager approves the invoice and a check request is automatically generated and sent to the AP Clerk (**Control 7** - Once an invoice inputted into the SAP module for goods or services purchased and received and approved by the accounting manager, a check request form is completed automatically). If the invoice is for services and not goods received, the department requesting payment fills out a check request form, the related invoice and approval for payment. To corroborate our inquiries with Rhonda, EY inspected the check request generated for PO 487902723 (**B03.1 7/, not included for learning purposes**) noting it was dated 5 Sept 20X6 from the 5 Sept 20X6 AP Batch. We obtained the batch and inspected the contents of the batch, noting PO 487902723 was included. The request was in the amount of CHF 15,895.15. EY reperformed the match of the check request and the AP Batch noting it agreed without exception.  Per Rhonda, once the module creates the batch total, the AP clerk forwards the A/P batch in SAP to the accounting manager, Corey Smith, to review the coding of each disbursement to the appropriate expense or asset account. EY inquired of Corey Smith how he performs his review of the AP Batch. Corey stated that he ensures that the amount in the batch report equals the amount on the actual invoice to ensure there was proper entry based on the nature of the purchase. He also reviews to ensure that all invoices in the folder were in the batch report for completeness. The AP Module automatically links to SAP to record the expense/asset and credits AP.  To corroborate our inquiries, EY obtained the reviewed A/P batch total for 5 Sept 20X6 (**B03.2 5/, not included for learning purposes**), noting it totaled to CHF 58,143.74. Our PO selected for testing, # 487902723 was included in the detail. EY reperformed the control steps as described by Corey, noting the batch report invoice amounts equal the amount on the actual invoices. Additionally, EY reperformed the completeness test, noting all invoices were included in the batch.  For cash disbursements, the batch detail is matched to unpaid invoices in order to ensure that invoices are not paid more than once. As discussed above, the system prevents an invoice from being entered twice. Per inquiry of Rhonda, she runs checks for all unpaid invoices in SAP and also makes copies of the checks to keep on record. To corroborate this inquiry, EY obtained the check run for 5 Sept 20X6 noting it was in fact run by Rhonda (**B03.3 1/, not included for learning purposes**). Per Rhonda, all checks are then forwarded to the accounting manager for review and approval. The Accounting Managers reviews and discusses any unusual items with the AP Clerk and/or the Controller. EY inquired of Corey Smith, who stated that he in fact reviews checks under CHF 5,000 for approval, and stated that the Controller signs all checks over CHF 5,000. The CFO signs all checks between CHF5,000 and CHF10,000, and all checks greater than CHF 10,000 are signed by both the CFO and the Controller (**Control 8**: The accounting manager reviews checks under CHF 5,000 for approval; the Controller signs all checks over CHF5,000. The CFO signs all checks between CHF 5,000 and CHF 10,000, and all checks greater than CHF 10,000 are signed by both the CFO and the Controller). When the checks are processed, the AP batch automatically uploads to the GL, debiting Payables – domestic or foreign suppliers and crediting Cash.  To corroborate our inquiries, EY obtained the check report dated 5 Sept 20X6 forwarded to Corey Smith for review within SAP (**B03.3 2/, not included for learning purposes**). Per that check run, check #3563 was related to PO *#*487902723 and invoice 776809274 in the amount of CHF 15,895.15. EY obtained a copy of the check kept by Summit at **B03.3 3/ (not included for learning purposes)**, as well as the bank statement showing the clearing of check #3563 in the amount of CHF15,895.15 at **B03.3 4/ (not included for learning purposes)**.  Accruals  EY inquired of the Purchasing manager, Corey Fulton, as to how the Company records the accruals for goods received but not yet invoiced. Misty explained that as inventory could be received at the warehouse before invoices are received, the Purchasing manager estimates the amount of the inventory and provides that information to the Inventory Accounting manager who calculates the related liability at period end. That calculation is part of the Inventory process and not in scope of this SCOT process. See our inventory process walkthrough at **B07 (not included for learning purposes)**.  **Reporting**  Monthly Reporting  EY inquired of the Senior Accountant, Vladimira Tokareva, as to how the AP accrual is recorded. Per Vladimira, every month, a reconciliation is prepared for each AP account and reviewed by the Finance manager (**control #6 -** AP sub-ledger is reconciled to the general ledger by the AP manager on a monthly basis and reviewed by the finance manager). As part of this process, Matt accesses the AP sub-ledger and inputs the closing balance for the month into the template. He then logs onto SAP and inputs the closing GL balance for the month into the template.  If at this stage, there are no reconciling items, Matt will physically sign off the reconciliation as prepared and submit it for review and approval. If there are reconciling items, the Senior Accountant is required to investigate and resolve these until the total difference is less than CHF 100.  In order to corroborate our inquiries with Vladimira, EY obtained the September 20X6 AP Reconciliation prepared by Vladimira at **B03.4 1/ (not included for learning purposes)**. The reconciliation had one reconciling item for Goods Received but Not Invoiced in the amount of CHF 10,345. The explanation documented on the reconciliation was for PO 487902520 in which the goods included on the invoice had been received on 29 September 20X6 but an invoice had not yet been received by Summit as at end of September 20x6. Thus, the amount should be included in the AP amount for the month. The PO **B03.4 2/** **(not included for learning purposes)** and related GRN **B03.4 3/** **(not included for learning purposes)** were attached to the reconciliation as PDFs and thus could not be altered. Additionally, a PDF screenprint of the AP Module total (**B03.4 4/, not included for learning purposes**), as well as the SAP GL total **B03.4 5/ (not included for learning purposes)**, were included for the Finance Manager’s review. As these items are PDF, they could not be altered.  EY inquired of the Finance Manager, Martin Hayter, about the process regarding his review of the monthly AP reconciliation. Per Martin, as part of the review, he will check that the parameters of the reconciliation are correct by checking the opening and closing month end dates used, and performing a spot check between the closing balance in the AP reconciliation and SAP. Any unreconciled differences greater than CHF 10,000 are investigated and resolved before the end of the following month. If there are unreconciled items or items requiring further investigation, the Finance Manager will return the reconciliation to the Senior Accountant to address. Types of questions include the source of a reconciling item, business nature of the reconciling item or confirmation that the reconciling item will clear within the next 30 days. Once resolved it will be resubmitted to the Finance Manager to recommence their review. Upon completion of their review, the Finance Manager physically signs off on the reconciliation to indicate their approval of the reconciliation. Once reconciled and approved, the Senior Accountant will place a copy of the reconciliation in the monthly reconciliation file.  To corroborate our inquiry with the Finance Manager, EY obtained and inspected the September 20X6 reconciliation that was reviewed by the finance manager at **B03.4 1/ (not included for learning purposes)**, noting he signed and dated the reconciliation on 4 October 20X6. The Finance Manager left his initials next to the reconciling item, as well as the related PO and GRN for the amount, noting he reviewed the supporting documentation for the reconciling item. After he signs off on his approval, he approves the reconciliation and sends it back to the senior accountant for filing.  EY inquired of Vladimira how the final JE is recorded. Vladimira stated that the SAP AP module automatically uploads to the GL. The Senior Accountant will then prepare the JE in SAP if needed to adjust for any reconciling items in addition to the automatic upload of the AP Module. Then, based on his review, the Finance Manager will approve the JE in SAP. To corroborate the inquiry, EY obtained the JE for 30 September 20X6 at **B03.4 2/ (not included for learning purposes)**, noting the AP Subledger was automatically uploaded and agreed to the reconciliation without exception. Additionally, Vladimira recorded an additional CHF 10,345 in liability for the goods received not yet invoiced. EY then inspected the screenprint noting the Finance Manager approval of the JE citing the reconciliation.  Financial Statement Reporting  The Business Unit Financial Controller will prepare the significant disclosures of the financial statements. Once prepared, the financial statements are sent by the Business Unit Financial Controller to the CFO who performs the final review. | | | |

***Note: A detailed assessment of the design effectiveness of SE Control 2, SE PUR Controls 1, 2, 3, 4, 6 and 7 has been excluded for learning purposes.***

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| 🞧 | + | **Control name:** | SE Control 2: The list of authorized users for SAP is reviewed annually by each department head to evaluate that the user’s authorization limits and access rights are appropriate in accordance with their job responsibilities. |

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| 🞧 | + | **Control name:** | SE PUR Control 1: End-user access to create and maintain material master data is limited to master data maintenance clerks and purchasing manager, as preparer and reviewer, respectively. |

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| 🞧 | + | **Control name:** | SE PUR Control 2: End-user access to maintain vendor data is limited to vendor data maintenance clerks and AP manager. |

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| 🞧 | + | **Control name:** | SE PUR Control 3: Goods are promptly entered into the system by the purchasing clerk when received, while the default application receipt date is the current date. |

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| 🞧 | + | **Control name:** | SE PUR Control 4: System requires the purchase order number when recording an invoice. |

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| 🞧 | + | **Control name:** | SE PUR Control 6: AP sub-ledger is reconciled to the general ledger by the AP manager on a monthly basis and reviewed by the finance manager. |
| 🞧 | + | **Control name:** | SE PUR Control 7: Once an invoice inputted into the SAP module for goods or services purchased and received and approved by the accounting manager, a check request form is completed automatically. |
|  |  | **Control name:** | SE PUR Control 8: The accounting manager reviews checks under CHF 5,000 for approval; the Controller signs all checks over CHF 5,000. The CFO signs all checks between CHF 5,000 and CHF 10,000, and all checks greater than CHF10,000 are signed by both the CFO and the Controller. |

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| 🞧 |  | **WCGW name:** | (AP) C, E, R/O - Invoices are not accurately recorded or input into SAP. | 🗶 |

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| 🞧 | + | **Control name:** | SE PUR Control 5: Purchasing manager reviews the three-way match of purchase order, goods receipt and invoice performed by the purchasing clerk. Exceptions to the three-way match are investigated by the Purchasing manager on a daily basis. |

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| Is our documentation of this control and related procedures contained in another SCOT? | ⭘ |  | 🞊 |  |
| WP reference:WP reference:WP reference:WP reference: | Not applicable. | | | |

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| 🞧 |  | **Other WCGWs in this SCOT addressed by this control:** |  |

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| SE PUR WCGW 2: Duplicate/Fictitious invoices are recorded.  SE PUR WCGW 3: Invoice quantity is different than Goods recorded quantity. |

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| 🞧 |  | **Control properties** |

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| Control Description |  |
| On a daily basis, the assistant purchasing manager reviews the three-way matching performed by the purchasing clerk between PO, goods received note (GRN) and invoice. The assistant purchasing manager performs the review by checking the three-way match report prepared by the purchasing clerk by extracting the PO-GRN report from the inventory module and manually enters the respective Invoice. The assistant purchasing manager reperforms the procedures performed by the purchasing clerk by checking the mathematical accuracy of the documents, tracing the PO to the file and the stamped and signed GRN, noting the date of the stamp coinciding with the application receipt date. The assistant purchasing manager then manually matches this to the vendor invoice, agreeing the goods purchases, quantity, unit price and supplier's name between the three documents. Any exception between PO-GRN and invoice noted by the purchasing manager in the three-way match report are investigated further by the assistant purchasing manager by coordinating with the warehouse and AP departments. Once satisfied with the resolution, the assistant purchasing manager approves the three-way matching report and provides this to the accounting department, for invoice processing and GL entry. | |
| The following significant risks are addressed by this control: | |
| No significant risks have been identified for this SCOT. | |

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| Design attributes (including precision and sensitivity): | | |  |
|  | **A** | On a daily basis, the purchasing clerk prepares a Matching Report (PO-GRN-Invoice) by extracting the PO-GRN report from the inventory module and manually enters the respective invoice. The purchasing clerk agrees the purchase order (PO) as per Matching Report with the PO on file, the GRN stamped and signed by the supervisory warehouse employee, and the invoice (goods purchases, quantity, unit price and supplier's name). The assistant purchasing manager reviews the work performed by the purchasing clerk by checking the mathematical accuracy and reperforming the matching done. | |
|  | **B** | The assistant purchasing manager checks the GRN dates and ties it up with the application date per Inventory module. | |
|  | **C** | The assistant purchasing manager notes for any exception noted by the purchasing clerk and investigates any exception. | |
|  | **D** | The purchasing clerk signs the three-way matching report as preparer and submits it to the assistant purchasing manager for approval. | |

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| Control Type: | | IT Dependent Manual Control | | Frequency: | | Daily | | | | |
| Testing: | | Yes | Review or monitoring control? | |  | | 🞊 |  | ⭘ |  |
| Testing strategy (select all that apply): | | | | | | | | | | |
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| 🞧 |  | **Control owner information** |

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| Name/title of control owner: | Keith James (Assistant Purchasing Manager) | | | | |
| Is the person performing the control objective competent? | | 🞊 |  | ⭘ |  |
| Document the basis for our conclusion: | | | | | |
| Mr. James is a Chartered Accountant with over 9 years of experience in a supervisory and managerial role in the purchasing departments of various companies in the manufacturing industry. Mr. James commenced his career with Summit Equipment in 19x3 as a Purchasing Clerk.  Her experiences, knowledge of the company’s processes and procedures supports her competence and ability to perform this control. | | | | | |
| Document any observations made regarding conflicting duties or authorization issues: | | | | | |
| EY did not observe conflicting duties or authorization issues. | | | | | |

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| 🞧 |  | **Information produced by the entity (IPE)** |

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| What IPE is used in the execution of this control and how have the IPE risks been addressed? | | |  |
| The IPE used in the execution of this control are:  - the Purchase Order  - the Goods Receipt Notice  - the matching report  IPE risk 1 ‘The data processed by the IT application from which the IPE is produced is not complete or accurate’, IPE risk 2 (i) The data extracted from the IT application into the IPE is not the intended data or is not complete (ii) The user-entered parameters are inappropriate, IPE risk 3 ‘The computations or categorizations performed in the creation of the IPE from the IT application are inaccurate’, IPE risk 4 ‘the data output from the IT application to the EUC tool is modified or lost in the transfer’ and IPE risk 5 ‘Information added or changed (including computations and categorizations) using the EUC tool is incomplete, inaccurate or inappropriate’ are relevant to the IPE listed above.  The initiating form is the PO and therefore we inspected a PO processed in the A/P module. Through inspection of the PO, EY found the following information in SAP to be identical with the invoice and GRN information: the Document No., Quantity, Vendor No., Vendor Name, Unit Price, Gross Amount and Document Date.  In addition, we compared the same fields listed above for our selected PO. | | | |
| What is the source of this information? | Relevant application: |  | |
| SAP AP Module & Inventory Module | SAP | | |

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| 🞧 |  | **Review control considerations:** |

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| Describe the precision and sensitivity of the review and the procedures we performed to conclude the review is sufficiently precise: |
| EY inquired with Keith James how he performs his review of the three-way match. The review of the three-way match focuses on the goods, quantity, unit price, and vendor information between the three documents. If there are exceptions to the three-way match, he investigates those further. For any discrepancies he finds, he follows-up with the warehouse and the accounting department for resolution. |
| Describe the results of the review and follow-up and the procedures we performed to corroborate actions taken and results: |
| EY inquired with Keith James regarding the follow-up process conducted of the three-way match of PO 487902723 and if there were any actions taken due to her follow-up procedures:  Our sample selection did not have any differences noted, therefore Mr. James was able to complete his review without further follow-up procedures. The fields reviewed between the PO, Invoice & GRN were properly matched.  EY inquired to review a three-way match report in which he was able to identify variances, and what was done to resolve the issue. The assistant purchasing manager stated that he noted a variance on 8 February 20X6 in which the PO did not match the GRN or invoice. Upon further investigation, he discovered that the vendor had sold out of a particular item, and that the remainder of the order was sent at a later date. The Invoice and GRN was approved, and the remaining items were shipped one week later. To corroborate the inquiry, EY obtained and inspected the batch report from 8 February 20X6 (**B02.3 7/, not included for learning purposes**) noting the assistant purchasing manager’s notes on the batch report evidencing his review. We also obtained the related PO 4879021234, the related GRN (**B02.3 8/, not included for learning purposes**), and Invoice 875124 (**B02.3 9/, not included for learning purposes**) and reperformed his review, noting it was accurate. |

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| 🞧 |  | **Confirm our understanding** |

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| Person(s) we made inquiries of: | |
| Keith James (Assistant Purchasing Manager) | |
| Transaction or control instance used to confirm our understanding: | |
| Three-way match for PO 487902723 | |
| Describe the procedures we performed to confirm our understanding of the design of this relevant control and that it has been implemented: |  |
| Refer to the documentation in attributes section above for this control. | |
| For review controls, document here the following specific inquiries of the control owner and their responses:  • How does the reviewer set expectations to challenge assumptions, methodologies,  results and other relevant items before performing the review? ***N/A for this control.***  • What procedures are performed as part of the review? Are there specific items that  receive special attention? What judgments are made by the reviewer and how do they  document these?  • What quantitative or qualitative threshold is used to perform the review? (We  question a response of "Reviewed for significant and unusual items" to understand  how this achieved and by what measures.)  • What triggers the reviewer to request the preparer to perform additional follow-up  procedures?  • What questions result from the review? How does the reviewer subsequently follow-  up? Are there adjustments or changes that result from the review? Are the  adjustments or changes made timely? (If no errors have been detected by the review,  consider whether this indicates that the review control is not designed at a sufficient  level of precision.)  • What evidence exists supporting the questions resulting from the review and follow-  up actions performed? (Does the documentation support a conclusion that the  review would prevent or detect a material misstatement?)  • If prospective financial information (PFI) is used, what procedures are performed by  the control owner to challenge the PFI and the related key assumptions? ***N/A for this control.***  Refer to CONTROLS Appendix 2 for additional inquiries that can be made. | |
| 1. What procedures are performed as part of the review? Are there specific items that receive additional attention? What judgements are made by the reviewer and how do they document these?   *Please refer to the specific responses in the attributes section and review control considerations* *section above for procedures as part of management’s review****.***   1. What quantitative or qualitative threshold is used to perform the review?   *No threshold is used as the quantity and unit prices need to match.*   1. What triggers the reviewer to request the preparer to perform additional follow-up procedures?   *If the reviewer notices differences between the unit prices, quantities or customer name between the PO, Invoice and GRN, a follow-up procedure is being performed.*  *Also if the preparer identified a discrepancy but does resolve it, or resolve it but does not provide the documentation how it is resolved, the reviewer will follow-up with the preparer and review the resolution noted*.   1. What questions result from the review? How does the reviewer subsequently follow-up? Are there adjustments or changes that result from the review? Are the adjustments or changes timely made?   *No follow-up procedures were performed by the control owner on the sample selection noted as there were no discrepancies identified by either the preparer or the reviewer.*  *If there is an exception noted on the three-way match which requires follow-up of items, the questions could be: 1) Why did the fields between the PO, Invoice and GRN not match; 2) Why was that discrepancy not resolved; 3) Provide me with the documentation who you resolved the identified difference?*   1. What evidence exists reflecting the questions resulting from the review and follow-up actions performed?   *EY selected the three-way match performed for PO 487902723 for our walkthrough. The vendor, date, unit price, total amount, goods ordered all matched between the three documents therefore there was no follow-up needed.*  *However if there was an unresolved discrepancy or a resolved discrepancy without the proper documentation, the three-way match would have been given back to the purchasing clerk for investigation. And when Mr. James receives the revised three-way match, he typically review the investigation performed and discuss with the warehouse and the accounting departments to understand what happened and the resolution needed to be made..*  *The actions taken support a conclusion that the review would prevent incorrect approval for payment of an invoice.* | |

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| 🞧 |  | **Control conclusion** |

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| Has the control been designed effectively to mitigate the WCGWs identified and has it been implemented? | 🞊 |  | ⭘ |  |

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| **Considerations for the use of the internal audit function** | |  |
| Who performed the walkthrough? | | |
| **x** | EY | |
| ⭘ | Internal auditors | |
| ⭘ | Others | |
| Document how we supervised and reviewed their work, including the method used to select the transaction(s) to walkthrough if we did not make the selection ourselves. | | |
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| **Other considerations** | |
| Observations that would indicate issues related to authorization or segregation of duties: |  |
| None noted. | |
| Observations that would indicate the potential for management override of controls or other risks of material misstatement due to fraud in the SCOT: |  |
| None noted. | |

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| ⭘ | Our documentation accurately describes the operation of the SCOT and we have identified appropriate WCGWs. |
| ⭘ | Other (document additional observations) |
| Additional observations: | |
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Control Summary v1.21

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