

**Holcim Audit Program**

**Batching Plant Operations**

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| **Audit Project Number:** | | ID - 2013 - 03 |  | **Group Company:** | PT. Holcim Beton |
| **Audit Project Manager:** | | Nurul Ikhsan |  | **Dept.** | RMX Operations |
| **Audit Team:** |  | Herdamang |  | **Scope** | 1. Material Management. 2. Production 3. Cash management 4. Transportation cost control 5. Safety & Security 6. Franchise business |

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1. **MATERIAL MANAGEMENT**.

| **AUDIT STEP** | **RISKS & FINDINGS** | **CONTROLS** |
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| * 1. **Receiving materials (quality)** | | |
| * + 1. Obtain related SOP/guideline and interview key persons (i.e. batchers, Material Management, etc.) to understand process of receiving materials, with regards to quality checking     2. Check whether criteria for acceptance (standard quality) are defined for all material (i.e. sands, aggregates, additives, etc.).     3. Define samples of received materials. Check whether quality check is performed properly, documented and signoff     4. Identify whether any rejected material is logged and reported | **Risks:**   * Receiving low quality material * Low production quality   **Samples:**  30 samples, selected from sampled batching plants | **Control Objective** Material received by batching plant is consistent with the defined criteria/standard  **Suggested Controls** Specific acceptance policy, review, and approval must be exist |
| * 1. **Receiving materials (quantity)** | | |
| * + 1. Obtain related SOP/guideline and interview key persons (i.e. batchers, Material Management, etc.) to understand process receiving materials, with regards to quantity/volume checking     2. Define samples of received materials. Check whether quantity check is performed properly, documented and signoff     3. Check whether information keyed in for GR process is consistent with related delivery note     4. Obtain GR report to identify source of material. Check the density was updated accordingly | **Risks:**   * Loss due to quantity/volume of received material is lower than PO or contract * Late GR affects process of GI * Incorrect calculation of stock volume due to un-updated density of material   **Samples:**  30 samples, selected from sampled batching plants | **Control Objective**   * Volume of accepted material is measured / calculated based on proper measurement method. * Volume in GR based on real measurement.   **Suggested Controls** |
| * 1. **Material handling and storage** | | |
| * + 1. Obtain related SOP/guideline and interview key persons (i.e. batchers, Material Management, etc.) to understand process material handling     2. Check whether material handling is performed as per guideline     3. Check whether proper sign (containing information of material) is put on each storage facility     4. Check whether material is stored properly on each storage facility | **Risks:**   * Material Loss * Material contamination   **Samples:**  Sampled batching plants | **Control Objective** Stock daily report was consistently provided timely manner  **Suggested Controls** |
| * 1. **Stock count – Daily stock report** | | |
| * + 1. Obtain related SOP/guideline and interview key persons (i.e. batchers, Material Management, etc.) to understand process of stock count – daily and its reporting     2. Define samples of daily stock count and check control effectiveness, whether daily stock count is: * Performed as per guideline * Reviewed and signed-off * Reported, check accuracy and correctness of daily stock report | **Risks:**   * Stock out * Unauthorized stock movement   **Samples:**  30 samples, selected from sampled batching plants | **Control Objective** Daily stock count is consistently performed and reported  **Suggested Controls** |
| * 1. **Stock count - Monthly stock take** | | |
| * + 1. Obtain related SOP/guideline and interview key persons (i.e. batchers, Material Management, etc.) to understand process of stock count – monthly stock take     2. Define samples of monthly stock take and check whether stock take is performed as per guideline, concerning: * Methodology used for stock take * Review and signoff (Approval) * Variance is identified and followed up * Independent person’s involvement to ensure data reliability   + 1. Define samples of stock adjustment. Check whether adjustment is : * Made based on clear and valid reason * Authorized. | **Risks:**   * Stock loss * Production loss * Unreliable stock   **Samples:**  Min 2 samples for each sampled batching plants | **Control Objective**   * Monthly stock take is consistently performed and reported * Stock adjustment is properly calculated and authorized   **Suggested Controls** |
| * 1. **Fuel consumption** | | |
| * + 1. Obtain related SOP/guideline and interview key persons (i.e. batchers, Material Management, etc.) to understand process of monitoring fuel usage     2. Define samples and check whether control and monitoring is performed as per guideline     3. Check whether index of fuel consumption is available and regularly updated. Select 30 samples of deliveries. Recalculate the average fuel consumption per trucks. Any significant variance must be explained. | **Risks:**   * Fuel theft * Inefficiency   **Samples:**  Sampled batching plants | **Control Objective** Fuel usage is monitored  **Suggested Controls** |

1. **PRODUCTION CONTROL (BATCHING PROCESS).**

| **AUDIT STEP** | **RISKS** | **CONTROLS** |
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| **2.1. Start-up - Daily equipment Inspection** | | |
| * + 1. Obtain related SOP/guideline and interview key person (i.e. batchers, TL, SI, etc.) with regards to daily equipment inspection     2. Check whether such inspection is consistently performed and documented     3. Check whether identified abnormal condition is followed up by issuing notification     4. Select some equipment at sampled batching plants and check their real condition. | **Risks:**   * Business interruption due to equipment problem * Cost inefficiency   **Samples:**  30 samples, selected from sampled batching plants | **Control Objective**  Cost efficiency due to proper maintenance  **Suggested Controls**  . |

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| **2.2. Moisture content (MC) test** | | |
| * + 1. Obtain related SOP/guideline and interview key person (i.e. batchers, TL, SI, etc.) with regards to daily MC test     2. Obtain relevant records and check whether daily MC test is consistently performed     3. Check MC test data and check whether such data is properly uploaded to CB (command batch) | **Risks:**   * Incorrect calculation * Affect product quality   **Samples:**  30 samples, selected from sampled batching plants | **Control Objective**  Proper concrete production based on precise material composition  **Suggested Controls**  . |
| **2.3. Production (batching process) recording – Manual batch** | | |
| * + 1. Obtain related SOP/guideline and interview key person (i.e. batchers, TL, SI, etc.) with regards to manual batch monitoring     2. On command batch panel, check whether RTC is properly secured and always switched on.     3. Check whether manual batch (RTC switched off) is always logged and authorized | **Risks:**   * Unauthorized batching * Unbilled transactions   **Samples:**  Sampled batching plants | **Control Objective**  Manual batch is identified and monitored to ensure all transaction is properly billed  **Suggested Controls**  . |
| **2.4. Production (batching process) recording – Manual delivery** | | |
| * + 1. Obtain related SOP/guideline and interview key person (i.e. batchers, TL, SI, etc.) with regards to manual delivery monitoring     2. Ask IT support to get ticket summary from command batch     3. Compare ticket summary with SAP and identify the gap     4. Check whether manual delivery is properly logged, reported and unauthorized | **Risks:**   * Unauthorized batching * Unbilled transactions   **Samples:**  Sampled batching plants | **Control Objective**  Manual delivery is identified and monitored to ensure all transaction is properly billed   **Suggested Controls**  . |
| **2.5. Production (batching process) recording – Stock reconciliation** | | |
| * + 1. Obtain related SOP/guideline and interview key person (i.e. batchers, TL, SI, etc.) with regards to stock reconciliation for production control     2. Check whether material usage in SAP is periodically reconciled with material usage based on stock count     3. Check whether variance is properly identified, analyzed and followed up | **Risks:**   * Unauthorized batching * Unbilled transactions   **Samples:**  Min 2 samples for each sampled batching plants | **Control Objective**  Material usage in SAP is reconciled with material usage as per stock count to confirm production volume.  **Suggested Controls**  . |
| **2.6. Production (batching process) recording – 3 Way Matching** | | |
| * + 1. Obtain related SOP/guideline and interview key person (i.e. batchers, TL, SI, etc.) with regards 3 way matching procedures     2. Check whether production volume is properly defined based on 3 way matching     3. Check whether variance is properly identified, analyzed and followed up     4. Check whether its report is reviewed and signed-off by authorized person | **Risks:**   * Unauthorized batching * Unbilled transactions   **Samples:**  Min 2 samples for each sampled batching plants | **Control Objective**  Production volume for billing is defined by comparing production volume in SAP with command batch and confirmed delivery ticket  **Suggested Controls**  . |
| **2.7. Production control - Goods Issue** | | |
| * + 1. Obtain list of ticket (for automatic) from command batch compare the quantity and the date with SAP     2. Obtain list of ticket that modified to T06 and check reasonable explanation is available     3. Obtain list of ticket for trial (TM), rejected due to HIL (DM) and check whether GI is consistently performed | **Risks:**   * Incorrect GI * Late GI * GI is not properly issued   **Samples:**  30 samples, selected from sampled batching plants | **Control Objective**  Good Issue is properly performed for each concrete production for billing purposes  **Suggested Controls**  . |
| **2.8. Equipment - Calibration** | | |
| * + 1. Obtain list of equipment and their calibration schedule     2. Check whether those equipment is calibrated periodically     3. Check whether calibration is performed by authorized, independent institution and proper certification is obtained. | **Risks:**   * Incorrect measurement * Affect product quality * Inefficiency   **Samples:**  Sampled batching plants | **Control Objective**  Proper concrete production based on precise material composition  **Suggested Controls**  . |
| **2.9. Production control – Dumped (rejected) concrete** | | |
| * + 1. Obtain related SOP/guideline and interview key person (i.e. batchers, TL, SI, etc.) related to dumped concrete     2. Obtain PDR data and identify dumped concrete due to transporter’s fault     3. Check completeness of supporting documents and obtained authorization | **Risks:**  Unbilled transactions  **Samples:**  Sampled batching plants | **Control Objective**  All transaction is billed  **Suggested Controls**  . |
| **2.10. Segregation of Duty & Access control** | | |
| * + 1. Obtain SOD 2012 SOD report from Financial Compliance Department.     2. Identify SOD conflict related to batching plant operations     3. Review adequacy mitigation control and check the consistency of the manual control.     4. Obtain SAP user list from IT and access authorized to the each user id     5. Review access control by comparing some selected samples of user id with their job description     6. Check whether access given to employee and unauthorized changes is reviewed periodically | **Risk(s):**   * Inappropriate access * Unauthorized access. * Undetected fraud.   **Sample(s):**  Min 2 samples for each sampled batching plants | **Control Objective(s):**  Ensure there were no transactions recorded/unrecorded by unauthorized person.  **Suggested Control(s):**   * No SAP user sharing * Mitigation control must be check periodically. |

1. **CASH MANAGEMENT**

| **AUDIT STEP** | **RISKS** | **CONTROLS** |
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| **3.1. Cash sales monitoring** | | |
| * + 1. Obtain related SOP/guideline and interview key person (i.e. batchers, TL, SI, billing, etc.) related to cash sales monitoring and its settlement     2. Obtain sales data and identify cash sales     3. Check whether SO is released once cash is received     4. Check whether all received cash is properly logged and recorded     5. Check whether cash sales is properly and timely settled     6. Check whether CIT (cash in transit) number is properly keyed in | **Risk(s):**   * Unrecorded cash sales. * Counterfeit * Fraud   **Sample(s):**  Min 2 samples for each sampled batching plants | **Control Objective(s):** To ensure that cash funds are physically secured and the risk of unauthorized transactions is minimized.  **Suggested Control(s):** Daily reconciliation were prepared and reviewed by authorized person. |
| * 1. **Petty cash control** | | |
| * + 1. Obtain related SOP/guideline and interview key person (i.e. batchers, TL, SI, billing, treasury, etc.) related to petty cash monitoring     2. In sampled batching plants, performed cash count and check its consistency with available petty cash report     3. Check whether daily cash count and petty cash report is regularly performed and issued     4. Check whether petty cash report is reviewed and signed off by authorized person     5. Check whether received cash is stored in a secured cash deposit box. Ensure that only authorized person have the access     6. Review petty cash expenditures and check expense appropriateness and completeness of obtained authorization refer to prevailing guideline | **Risk(s):**   * Misappropriate of petty cash * Unsecure cash. * Fraud   **Sample(s):**  Min 2 samples for each sampled batching plants | **Control Objective(s):**  To ensure that cash funds are Physically secured and the risk of unauthorized transactions is minimized.  **Suggested Control(s):**   * All expenditures were properly signed by authorized persons. * Cash counts were performed regularly. |

1. **TRANSPORTATION COST CONTROL**

| **AUDIT STEP** | **RISKS** | **CONTROLS** |
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| **4.1. Own Truck Maintenance** | | |
| * + 1. Obtain truck utilization report.     2. Obtain schedule of truck maintenance. Compare the schedule with actual. Investigate if there any unplanned truck maintenance.     3. Review the contingency plan for the unplanned truck maintenance.     4. Ensure the quality of maintenance.     5. Review the maintenance cost; ensure no Capex transaction recorded as maintenance cost. | **Risk(s):**   * Unavailability of truck mixer for delivery. * Inaccuracy of the financial report   **Sample(s):**  Sampled batching plants | **Control Objective(s):** Ensure trucks are available for all deliveries  **Suggested Control(s):**   * Preventive maintenance schedule must be prepared and analyzed. * Costs were regularly reviewed. |
| **4.2. Concrete Delivery.** | | |
| * + 1. Understand and review logistic scheduling mechanism.     2. Obtain delivery schedule for own trucks and transporter trucks during 2012 until Feb 2013.     3. Select 30 samples of deliveries and ensure the quantity deliver were agreed with the quantity received by customers. Any differences must be explained.     4. Obtain all transporter contracts. Ensure all delivery risks will be covered by transporter.     5. Obtain insurance policy for deliveries. | **Risk(s):**   * Undelivered concrete goods. * Uncovered business risk   **Sample(s):**  30 samples of concrete deliveries during 2012. | **Control Objective(s):** Ensure all deliveries were transported to customer in accurate and timely manner.  **Suggested Control(s):**   * Delivery schedule must be reviewed. * Approval form customer to ensure the concrete were properly received with agreed quantity |
| **4.3. Accuracy of transporter and vendor invoices.** | | |
| * + 1. Obtain list of SES during 2012 until Feb 2013     2. Select 30 samples of the SES. Obtain supporting document of SES. Ensure that the SES was timely posted. Ensure the LES data accuracy (master data, distance, transporter billing, etc.). Inquiry for the potential delivery which were not recorded by LES systems. Check the approval for LES manual adjustment (if any).     3. Review the procedures for over/underpayment. Check the consistency of its procedures. | **Risk(s):**   * Incorrect payment calculation * Cost inefficiency   **Sample(s):**   * 30 samples of SES during 2012. * 30 samples of deliveries during 2012 | **Control Objective(s):** Ensure no overpayment to transporter and vendor.  **Suggested Control(s):**  Review for transporter and vendor billing must be exist |

1. **SAFETY & SECURITY**

| **AUDIT STEP** | **RISKS** | **CONTROLS** |
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| * 1. **HIRAC** | | |
| * + 1. Obtain HIRAC result for sampled batching plants     2. Identify the high risk and ensure that mitigating control are defined | **Risks:**   * Unidentified risk * Company’s loss   **Samples:**  Sampled batching plants | **Control Objective** Risk is properly identified and mitigated  **Suggested Controls** |
| * 1. **Safety implementation** | | |
| * + 1. Observe sampled batching plants’ area     2. Check whether safety signs are put in proper places     3. Check whether sampled batching plants’ area is properly secured     4. Check whether employees wear proper PPE     5. Identify safety violation     6. Obtain safety report and inquiry batchers/TL how the issue is addressed to relevant employees | **Risks:**   * Accident * Business interruption * Additional cost   **Samples:**  Sampled batching plants | **Control Objective** Zero accident  **Suggested Controls** |

1. **FRANCHISE BUSINESS**

| **AUDIT STEP** | **RISKS** | **CONTROLS** |
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| * 1. **Franchise - Contract / franchise agreement** | | |
| * + 1. Obtain relevant procedures and interview key person (RMX Business Development Manager) related to controls for franchise business     2. Obtain and confirm whether valid contract / franchise agreement is available for each franchisee     3. Check whether contract is properly signed by both parties | **Risks:**  Dispute with counterparts  **Samples:**  All | **Control Objective**   * Franchise business is covered with a valid contract * Agreed terms and conditions are clearly defined and written in the contract   **Suggested Controls** |
| * 1. **Franchise – Product quality monitoring** | | |
| * + 1. Obtain relevant procedures and interview key person (RMX Business Development Manager) related to controls for product quality monitoring     2. Check whether franchisees’ submit strength test regularly as required by the contract     3. Check whether irregularity is identified (if any) and followed up | **Risks:**   * Customer complaint * Brand damage * Impact to sales volume   **Samples:**  Min 2 samples for each franchisee | **Control Objective** Quality of concrete produced by franchisee meets Holcim’s standard  **Suggested Controls** |
| * 1. **Franchise – Royalty** | | |
| * + 1. Obtain relevant procedures and interview key person (RMX Business Development Manager) related to royalty     2. Check royalty calculation correctness refer to sales volume and price     3. Check whether irregularity is identified (if any) and followed up | **Risks:**   * Unpaid royalty * Inaccurate royalty calculation   **Samples:**  Min 2 samples for each franchisee | **Control Objective** Royalty paid by franchisee is consistent with their sales (refer to price and volume)  **Suggested Controls** |