AUDIT PROCESS MANUAL

I. AUDIT SCHEDULE
        a. Metro Manila Branches - every 3 weeks
        b. Cavite Branches - every 3 weeks
        c. Rizal Branches - every 3 weeks
        d. Provincial Branches - every 2 months

II. BUDGET & EXPENSE GUIDELINES

All expenses incurred in the process of auditing must be planned ahead. Auditors must submit a Request For Budget (RFB) to the Audit Head. This should show all estimated expenses and purpose. For provincial trips, this must be completed once the plane ticket is received.

The auditor must submit all receipts/lists and excess cash to Accounting Department for liquidation. For provincial trips, liquidation must be done within 48 hours of arrival.

    <u>Transportation</u>
        Basis of computation for approved transportation allowance:
        For Manila ,Rizal and Cavite branches:
            From office to branch – from branch to office

        Provinces:
            Office to Airport/Bus terminal
            Airport/Bus terminal to Branch
            Hotel to branch – branch to hotel (multiplied by number of days)
            One branch to another branch
            Branch to Airport/Bus terminal
            Airport/Bus Terminal to the office

    <u>Terminal fees</u>
        Airport terminal varies. Always verify before making your budget request.

    <u>Board and Lodging</u>
        Book ahead for hotel accommodations.

    <u>Per diem allowance</u>
        Auditors who temporarily assigned at locations other than their homebase are
        entitled to an allowance per day.

III. AUDIT PROCEDURE

For a proper and complete audit of a branch or warehouse, the following must be done in detail:

a. Branch Appearance

   Organized items on display and shelves
   Clean floor
   Clean sink
   Clean toilet
   No personal belongings of branch personnel to be seen
   No any form of cooking facility within company premises

b. Grooming of the Branch Personnel

   Wearing complete and tidy current uniform
   Wearing closed shoes
   No earring on any part of the body
   No unconventional hair style
   No unshaven beard

c. Checking of used forms and receipt

   Using correct and current series
   All interbranch transfers (IN and OUT) have been encoded
   All sales and collection documents have been encoded
   (Cash,Charge,DR,PR,OR/Collection Receipt, and Customer Returns)
   All encoded data must tally with the actual documents
   Forms and receipts must be completely filled out and signed
   No unofficial forms or scratch papers are used

   * The auditor must stamp or sign on the last series of all forms and receipts used on cut-off date to establish actual cut-off time.

   d. Checking of unused forms and receipts
   di.
   No used pages within or in between the booklets

e. Validation/ checking of defective items returned by clients

Returned items have not been tampered in any way
Not "black oil" for auto compressors
No welding on fittings on air-con and ref compressors
No deformed fins and tube for evaporators and condensers
Not deformed – for all items
With barcode – for those items with barcode
Not client's sample only – (usually the item looks used)
No Japan expansion valve and sag. – no warranty at all
Door gasket – must be less than 2ft per piece
Copper tubes – must be less than 1ft per piece
Aluminum tubes – must be less than 1ft per piece
Hoses – must be less than 1ft per piece

f. Cash Count

First, get all the records of undeposited cash income and cash collections from the previous days until the time of audit
Encode details of income, collections, change fund and expenses
Encode breakdown of bills and coins on hand
Records versus cash on hand must tally

g. Tools Count

Check the latest list of tools audited versus actual tools on hand
Encode new tools
Encode updated list of tools

h. Inventory Count

Cut-off date – Always the previous day
All items sold on the day of audit, and before the actual count, must be counted as if the physical items are present. Remember that cut-off for audit is the end of the previous day.

Count items by category.

i. Confirmation of discrepancies

Excess inventory – Let the store personnel confirm the actual stock versus actual count

Short inventory – Let the store personnel confirm the actual stock versus actual count

Analyze / check if PALIT, CHARGE or OVER

Palit - Items without barcode with almost the same description and price
Over from last count but short this time
Charge -   Short in inventory / missing
Over - excess in inventory
Refund - charge from previous count (last 2 counts)

Auto adjust

With remarks CHARGE – go to adjustment with C (ex. 00-0327-C)
With remarks PALIT – go to adjustment with P (ex. 00-0327-P)
With remarks OVER – go to adjustment with O (ex. 00-0327-O)

All refunds – encode in refunds

Charge to personnel

Adjustment with C (ex. 00-0327-C)
Send to Charges
Distribute charges
Send to accounting

j. Update ending inventory
(different quantities must all be zero)

IV. DOCUMENTATION

a. Printing of reports
   Tools count
   Cash count
   Audit report
   DR for charges

Note: Full-time riders and new employees who are less than 1 month in the company are not included in the computation of charges.

b. All reports must have complete signatures
   Tools count
   Cash Count
   Audit report
   DR for charges

V. SUBMISSION OF REPORTS

The following complete and signed reports must be submitted to the Audit Head:
a. Cash Count
b. Tools Count
c. Charge/Refund
d. Audit Report
e. Notice to Explain

Submit copy of DR and refund (with breakdown per person) to the Accounting Department.

VI. POSTING OF DATA
The following must be posted in the data for protection:
1. Cash count
2. Tools count
3. Charge/Refund
4. Inventory count

VII. FILING

File audit report once cleared (with signature of Audit Head) in a separate folder per branch.

VIII. SPECIAL CONCERNS

For Provincial Trips

<u>Post-dated checks</u>

Get a list of undeposited PDC's of the branch from Credit & Collections Department
Compare actual PDC in the branch versus the list - make sure there' s no missing checks
Receive all undeposited checks from the Branch Head by signing on the list of
undeposited PDC's. Both Auditor and Branch Head must sign on the list.

<u>Branch Documents</u>
Receive all cash invoices, expense receipts, interbranch transfers, etc from the Branch
Head for transmittal to the Main Office.