

A. SYSTEMS AUDIT

Legal environment

1. Gather the existing legislation documents relating to the creation, organizational structure and operational mechanism
2. Examine these documents to ensure their:
 - clarity (in relation to specifically to the LPRC's missions,
 - relevance,
 - coherence,
 - completeness, and
 - respect by the authorities, Board of Directors and Management,
3. Identify any weakness and carry out recommendations for correcting this situation.

Organizational review

1. Obtain the company's organisational chart and the managers and sub-managers' job descriptions,
2. Draft and submit an dedicated organisational questionnaire to a sample of employees (all managers, all sub-managers and 5 juniors for example),
3. Exploit questionnaires to highlight especially weaknesses identified by LPRC's personnel,
4. Organise interviews of management over weaknesses and difficulties the company is subjected to,
5. Elaborate the panorama of the LPRC's activities,
6. Evaluate the suitability and adequacy of the organisation set up in relation to the company's activities,
7. Determine the relevance of management roles and responsibilities defined,
8. Carry out a summary assessment of the human resource capital, and
9. Define criteria (for example: age, seniority, education, etc.) for assessing the adequacy of the quality of key personnel categories,
10. Analyse the responsibilities' sharing between departments/services, with regard to strategic objectives (or goals) to assume par LPRC,
11. Examine the key personnel file to assess competencies in relation to criteria beforehand defined,
12. Determine the adequacy of the quantity and quality of key personnel categories by department, with particular linkage to skills and competencies,
13. Identify any weakness and carry out recommendations.

External linkages and inter agency consultation and co-ordination

1. Identify LPRC'S external linkages and inter agency consultation and co-ordination in relation to the mechanisms and processes employed,
2. Perform interviews of the main stake holders concerned, if possible,
3. Assess these external linkages and co-ordination.
4. Identify weaknesses and draft recommendations.

Budgetary process

1. Describe the budgetary process,
2. Identify major risks/weaknesses upon the process,
3. Document the key controls over the process
4. Identify main control procedures and key performance indicators (KPI) scheduled,
5. Assess the existing level of control,
6. Comparison of the current systems of internal control with the best practices in force in the similar entities through Africa,
7. Draft necessary recommendations from the above analysis.

Internal sub-system

1. Describe each major process concerned integrating elements which will allow us to ease the risks/weaknesses identification: external factors,
2. Carry out a walkthrough for each main process to ensure that key control described are effectively done,
3. Identify the information technology implemented in LPRC and determine its relevance in relation to the company's activities,
4. Assess the following internal sub systems: communications, logistics, maintenance, procurement, revenues, etc,
5. Identify weaknesses and make necessary recommendations.

Working environment

1. Assess and determine the quality of the working environment (offices, logistics, utilities, power, training, etc),
2. Highlight the main weaknesses, which prevent the company to function with effectiveness and efficiency in order to achieve its strategic goals,
3. Suggest required recommendations for change.

Accounting and management controls

1. Describe the Accounting and Management Controls of LPRC,
2. Ensure that an adequate segregation of duties is set up (specifically in relation to the principal incompatible duties such as custody of assets, authorization and/or approval of related transactions affecting those assets and recording of related transactions),
3. Verify its proper adherence to generally accepted accounting and management principles and the adequacy of these Controls,
4. Identify weaknesses and made recommendations for change.

B. FINANCIAL AUDIT

Profit/loss Statements

1.1 Gross Revenue Flows

The objective of this control is to identify the main sources of revenues and to verify for each one the accuracy and completeness of information, which is in the balance sheet ended October 31, 2003, December 31, 2003 and June 30, 2004. The control will be done in value and volume according the following procedure:

- Obtain from the invoicing service the statistics of importation in quantity per importer and per product for the period from January 1, 2003 to June 30, 2004
- Value the quantities imported using the price scale per importer and compare it with the balance sheet ended October 31, 2003, December 31, 2003 and June 30, 2004
- Obtain franchise and office rental contracts
- Verify their compliance with corresponding revenues
- Identify and obtain an explanation of any discrepancy

1.2 Current Expenditure

The objective of this control is to identify the current expenditure categories, to verify their accuracy and make sure that they are complete

1.2.1 Wages and salaries

- Obtain the payroll listings from January 31, 2003 to December 31, 2003 and from January 31, 2004 to June 30, 2004
- Obtain the salary declaration (monthly or annually) from January 31, 2003 to December 31, 2003 and from January 31, 2004 to June 30, 2004
- Establish a comparison between payroll listings, salary declaration and balance sheet
- Identify or obtain an explanation of possible discrepancies
- Make a coherence control of declared social charges and withholding, according to the gross salary and rate applicable
- Make a sampling test revue of some payslips

1.2.2 Donation and contributions / Public relations and gratuities

- Obtain the GL for contributions and donations. Obtain from management the description of procedures for such items. Obtain a justification of most important donation and contribution in the GL and verify their compliance with internal rules and national rules
- Do the same with public relations and gratuities

1.2.3 Fuel and Lubricant

- Verify that there is a follow-up of gasoline consumption which is up to date in each vehicle
- Describe the procedure for fuel and lubricant purchases. Describe also the rules for fuel allowance to the personnel.
- Compare budget with books and give explanation of important discrepancies.
- Obtain the G/L and make sure that important purchases are duly justified.

1.2.4 Travel and perdiems

- Verify that travels are justified by invoices and perdiems are in compliance with the company procedure

1.2.5 Purchases, external expenditures linked to the activity and other expenses

- Obtain the expenditure General Ledger (GL) from January 1, 2003 to December 31, 2003 and from January 31, 2004 to June 30, 2004.
- Make a selection from the GL, of the most important or most sensitive account and validate 75 % of their balance

2. Remitted revenues to Government

- Obtain from the authority the base quantities for calculation of import levies and sales taxes from LPRC.
- Obtain statistics on quantities imported and sold from LPRC and compare with government statistics.

Make sure of the accuracy of revenues collected by the government using the statistics of sales in quantity per importer and per product.

3. Net financial balance

3.1 Cash and bank

- Obtain the detail of the cash balance of October 1, 2003, October 31, 2003 trial balance, December 31, 2003 trial balance and the June 30, 2004 trial balance
- Verify by test that the balance cash was never creditor or abnormally high during the period
- Tick them with the balance statement at October 1, 2003, October 31, 2003, December 31, 2003 and June 30, 2004
- Check that bank reconciliation as of 10/1/2003, 12/31/2004 and 06/30/2004 are correctly made: make arithmetical control, verify that outstanding operations are cleared in the following month, investigate on unusual suspense or suspense older than 6 months.
- Exploit answers from bank confirmations
- Make sure that accrued interest from bank overdraft are booked

3.2 Accounts receivable

- Make a comparison between the customer listing balance and the trial balance
- Match circularisation answers from customer with trial balance and investigate about discrepancies.
- If there is no response to the circularisation, verify post period customer payments and check them with the breakdown of the corresponding accounts; otherwise, check the accounts with invoices or delivery notes
- For customer with credit balances, obtain the breakdown of their accounts and validate significant amounts with supporting documents
- Obtain the detail of doubtful debtors and check it with the trial balance.
- Obtain the detail of the customer aged balance and make sure that a provision is calculated on the older ones

3.3 Inventories

- Obtain the stock inventories as of 10/31/2003, 12/31/2003 and 06/30/2004, make arithmetical control and check them with trial balance at 10/31/2003, 12/31/2003 and 06/30/2004
- Investigate about the stock valuation and depreciation method and make a sampling test by using production sheet, invoice or importation files

- Make sure that provision for obsolete inventories are justified, sufficient and calculated article by article
- Make sure of the respect of cut off between closing periods

3.4 Fixed assets

- Obtain the fixed assets list (itemised by major item) and check it with the trial balance
- Establish a table showing variations (capital expenditure and or transfers or disposal and impairments) by major fixed asset item, during 2003 and from January to June 2004
- Analyse these variations and check them with invoices, purchased or transfers certificate
- Obtain the depreciation rates used by LPRC for each fixed asset item and validate them.
- Obtain the table of fixed assets accumulated depreciation and compare it with the trial balance
- Verify consistency of depreciation method and their compliance with fiscal legislation
- Make a selection from capital expenditures of the current year and make sure that they are depreciated by “prorata temporis”

3.5 Accounts payable

- Match the supplier listing balance with the trial balance
- Reconciliate circularisation answers from suppliers and trial balance and investigate about possible discrepancies
- Make a search for unrecorded liabilities by examining the post-period payments from bank statements or non -booked invoices.
- For other accounts payable, obtain analysis of accounts and make sure that they are correctly evaluated (that importers’ claims are taken into account, staff benefit are well calculated...)

3.6 Long term loan payable

- Obtain all loan contracts by sources (be sure that they are original or certified copy) from January to December 2003 and January to June 2004
- Make a table showing new loan and repayment from January to December

2003 and January to June 2004

- Check the loan instalment schedules with the trial balance
- Make sure that accrued interests are properly calculated and booked
- Compare long term loan balance with bank confirmation

3.7 Taxes payable

- Obtain the detail of taxes payable and verify that they are correctly evaluated
- Compare them with statement of income, tax returns or tax declarations

3.8 Capital and accumulated loss

- Obtain all the minutes of annual general meeting or extraordinary general meeting from January 2003 to June 2004
- Check if all decisions taken during these meetings are followed

4. Control procedures

Make a review of the following procedures:

- Sales procedures
- Expenditures procedures
- Account payable procedures
- Cash procedures
- Wages and salaries procedures

For each procedure:

- Obtain a description of the procedure
- Make a flow chart and or a diagram to verify our understanding of the procedure
- Perform a walkthrough test to check the correct documentation of the process
- Identify controls set up by management and test those that are effective
- Make recommendations for weaknesses