

to look for weaknesses in the internal control system. His report uncovered the following processes that he believed needed to be strengthened.

- While the overall customer base is increasing from year to year, there may be internal control issues relating to how these new customers are secured.
- Some discounts that were being given to customers were recorded as a net amount on the invoices and gave no indication of the discount from standard prices.
- Some cash registers in the stores were not reconciling the cash in drawer with the register printout.
- Not all timesheet overtime amounts were being authorised by the line manager.
- Service invoices for some items of equipment were not signed or linked to a purchase order. There was no check that the work had actually been carried out.
- Not all assets in the stores had unique codes fixed to the asset.
- There was minimal feedback lines of communication from the shop floor to head office, particularly when an error in the budgeting report process was recognised.
- Debtor reconciliations were not done monthly and sometimes not at all.
- In busy times the cashiers that operated the registers were also asked to do their own reconciliations and banking. Sometimes the cash was held in the store for a day or two.
- Job roles were not clearly defined so that responsibilities and liability can be identified.
- There was little rostering of duties and cash receipts were not pre-numbered.

Of particular concern to Carl was the directive given by the board to ensure that audit trails were created and maintained. These included:

- Signing the timesheets for employees under the authority of a department manager.
- Maintenance of a numbered cash receipts book.
- Using sequenced cheques as a systematic way of evidencing all monies paid out.
- Ensuring proper coding of evidenced transactions against appropriate general ledger account and cost centre.
- Ensuring reconciliations between company books and third party bank statements are performed.

GST cash flow budget

A statutory requirement for GST is 10% of the recorded amounts in sales. The only capital purchase planned for the year is the luxury car for the chairman. Those expense payments on which 10% GST was paid include the following:

- Cost of goods sold:
 - accounting fees
 - insurance
 - store supplies
 - advertising
 - cleaning
 - repairs and maintenance
 - rent
 - telephone
 - electricity expense.