

Hamdy A. Rashed
Risk & Controls Matrices

Introduction to Risk & Control Matrices

This project was taken long time to finish designing the spreadsheets, it is started on Nov 26, 2009 and completed on June 18, 2010. However, it should have been taken 30 days at maximum to be designed and tested, and as long as I am not VBA programmer not high professional in excel developing by using VBA code, this project has taken large efforts from me to learn VBA and ask for help in some Forums to rewriting the vba code for me. Now I can offer you the new spreadsheets that need to be tested for 5 days, then need about 5 days to immigrate the most recently data from the old spreadsheets and word documents to new spreadsheets.

Many companies rely on spreadsheets tools for their financial reporting processes. We know spreadsheets lack the inherent controls that many application provide, therefore, significant risks is presented to financial reporting processes, but the overall inherent risk of using the spreadsheets in a Company is moderate, due to a) the moderate impact assessment because the materiality of total dollar value processed by spreadsheet is 20%-45% of all transactions, and the purpose of spreadsheet output is for posting and financial reporting, and it is low impact if the purpose of spreadsheet is for analytical review; b) the high likelihood assessment because of using complex spreadsheets, number of users is more than 3 and the changes of the spreadsheet is frequent, and likelihood becomes low if spreadsheet is simple, number of users is less than 3 and changes of spreadsheet is occasional. Not all spreadsheets files are of the same importance and risk, each spreadsheet was evaluated to identify the spreadsheets are most important and have higher risk to the financial reporting process and determine the proper controls and how to test the controls in reasonable manner.

- Two Local Payment Process System.xls Files one for USD and another for YER, the inherent risks assessed for these spreadsheets are moderate.
- Bank Register 2010.xls File, the inherent risk assessed for this file is moderate.
- Bank Movement Register.xls and the inherent risk assessed for this file is low.
- Invoice Routing Registers.xls and the inherent risk assessed for this file is low.
- Database.xls File and the inherent risk assessed for this file is moderate.
- Financial Statements of both blocks for Joint Venture Billing, the inherent risk assessed for this file is moderate.
- Statements of Expenditures of both blocks are **under designation** and needs to take about two weeks focusing in this spreadsheet, regarding to the inherent risks assessed for those files are moderate.

Some of those spreadsheets were designed last years but have been developed based on the risks assessment identified and recommended controls activities designed to mitigate or avoid such risks. The attached *Risk & Control matrix* shows the potential or risks occurred previously and the controls over each risk.

This matrix will be helpful in identifying the potential risks or the risks which are occurred previously and the current and proposed controls over Accounts Payable and Treasury processing in details.

The new system processes all invoices related to local payments that are paid via Sana'a bank accounts and controls are proposed in the attached *Risk & Controls Matrix*, and needs to be tested. The control matrix contains 4 main categories which each contains several risks and controls over those risks:

- a) Vendor Master
- b) Invoice Processing
- c) Disbursements & Recording

Sincerely,

Hamdy A. Rashed
Accounts Supervisor
June 26, 2010

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No	Risks	Possible Negative Results	Risk (High / Med / Low)/ [Fraud]	IT or Manual Controls	Controls	Type of deficiency N\ Non Deficiency D\ Deficiency S\ Significant Deficiency W\ Material Weakness	P / D	Steps to identified whether the controls are operated effectively	Financial Assertions C\Completeness E\Existence V\Validity and Valuation O\Ownership P\Presentation	Tested by	Date of Testing the controls
LOCAL PAYMENT (Sana'a Bank Payments)											
A Vendor Master											
a.1	Users may have unauthorized access to vendor master files.	Financial Loss due to payments made to incorrect vendor. (fraud) Unauthorized access to data that may result in destruction of data or improper changes to data.	H/ [Fraud]	Auto Auto	1. Appropriate authorizations is assigned to authorized users. Type of access to Local Payment Process Spreadsheet can be - read only for excel developer. - Modified by Treasury - read and write by Accounts Payable 2. Excel developer can only have modified access for specific period of time under FM supervision, for writing the tested new code.	N	P P	1a. Review user profile for reasonableness of access, by IT. 1b. Review the Vendor Master File for changes that have been made and verify that all of the users who made the changes have the appropriate Vendor Master Change profile. 2. Review user profile for conflicting access	E C		
a.2	Creation, changing or deletion of vendor master data may not be authorized or detected.	Financial Loss due to payments made to unapproved vendor. (fraud) Unauthorized access to data that may result in destruction of data or improper changes to data.	H/ [Fraud]	Auto Auto Manual Auto & Manual	1. The cells of Vendor Master sheet is protected by VBA password; that cannot be unprotected except by FM via clicking on "Unprotect" VBA button, and protected the sheet by clicking on "Protect" VBA button. 2. Creation or deletion of a vendor master file requires a Supplier Setup Request form authorization by the appropriate users. 3. The Supplier Request Setup form will be attached with source documents and the FM approves it. Then AP senior accountant or accounts supervisor verifies the approval. 4. Turning on change tracking about Vendor Master sheet; and the Supervisor frequently reviews List of modified vendors. A sample of new/changed/deleted vendors is agreed to the Supplier Setup Request form. 5. Main information of Vendors is blocked.	N	P P D P	1. Double click on several cells of Vendor Master sheet to ensure if the cells are protected. 2,3. Select a sample of vendor master records created. Trace information to Supplier Setup Request form, and verify proper authorization. 4. Verify Supervisor reviews list of modified/created vendors. 5. Observe a user creating a Vendor Master Record, and verify if main information of vendor is blocked for the users.	EV EV EV EV	Non	None

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B Invoice Processing											
b.1	Unauthorized users may gain access to post invoice transactions into Bank Register, then to JDE. Posting keys for A/P transactions may not be restricted in JDE	Financial loss. Financial misstatement.	H [Fraud]	Auto Auto Auto & Manual Auto	1. Authorizations are assigned to authorized users for "Local Payment Process System" and "Bank Register 2010" and "A/P & Treasury Database" Spreadsheets. The following duties should be segregated: <ul style="list-style-type: none"> Excel developer should have read only access to "Local Payment Process System" spreadsheet. FM/Treasury/AP senior accountant have full access to the all spreadsheets. GL accountant has full access to "Bank Register 2010" and "A/P & Treasury Database" spreadsheets. 2. Duties are properly segregated; between Treasury/AP and GL duties, therefore, Authorization is properly assigned for JDE user. 3. New treasury spreadsheets cannot restrict the posting keys, and this is varied based on the type of access to the file. 4. JDE controls should restrict posting keys based on authorization.	Segregation of duties is deficient for giving AP staff authorization to post a journal/PV in JDE, AP staff should have only authority to add/upload journal/PV not to post.	P P P P	1,2. Review user profile for reasonableness of access. 3-4. Observe that posting key controls are in place.	CEVP CEV CEV CEV	Non	None
b.2	1. Invalid invoices may be paid. 2. Invoice may be paid more than once. 3. The rejected invoice is inappropriately paid.	Financial loss. Financial loss from duplicate invoices. Misstated financial statements.	H [Fraud]	Manual Manual Auto & Manual	1.1. Workflow approval process: invoice requires supervisory approval of invoice based on DOA system, and Finance Manager review before issuing the check and after printing our the transfer. 2.1 List of vendors is reviewed in periodically period by finance staff, and check if it is included several times of one vendor under slightly different names, short and full names, and remove the duplication in vendor master file. 2.2. "Invoice Register" gives RED cell indication for duplicate invoices upon invoice entry if the invoice number, vendor name and invoice amount are the same; ORANGE cell indication for duplicate invoices upon invoice entry if the invoice number, vendor name are the same; or YELLOW cell indication for duplicate invoices upon invoice entry if	N	P P P	1.1. Select a sample of invoices and verify supervisory and central a/p staff review. 2.1 obtain the list of vendors and ensure there is no duplication in vendors' names. 2.2. Enter an invoice twice, and verify that the system does not allow duplicate invoice numbers. 2.3. Review copies of the duplicate invoice report to verify that Finance is reviewing the report and taking appropriate action. 1,2, 2.4,2.5. Select a sample of invoices and trace information to supporting document, and verify invoice is stamped "paid". Select samples of invoices rejected	EV E EV	Non	None

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				Manual	the invoice number is the same. 2.3. Finance staff reviews the duplicate invoice report appeared in sheet of invoice register. The report identifies which invoices are with the same invoice number and the same amount.		D	and 3.1. Determine if there is reasons typed for rejection invoices. 3.2. Verify that if the rejected invoices has been corrected before re-submission.	EVP		
				Manual	1.2, 2.4. Original invoices are required as source document. Supervisors must approve paying on a fax or copy.		P		EV		
				Manual	2.5. Treasury staff physically stamp "Paid" on invoices after issuing check or transfer		P		EV		
				Manual	3.1. Any approver write rejection reason on the invoice rejected to issue debit/credit note if necessary, and keep the history of the invoice:		P		CEVP		
				Manual	3.2. Approver should review the history of the rejected invoices before approving the invoice.		P		CEV		
b.3	Invalid invoice may be paid for services/goods received and paid previously Purchases may be made for unauthorized purposes Service or materials may be billed and paid twice	Financial loss by paying duplicated service/goods Financial loss	H [Fraud]	Manual	1. Invoice register requires entry of the following information upon entry of the invoice: <ul style="list-style-type: none"> • Invoice Number • Invoice Date • Invoice Receiving Date • Invoice Currency • Invoice amount • Contract/purchase order number • total PO amount • Supplier Name. 	Deficiency this control does not apply, due to one of the following reasons <ul style="list-style-type: none"> - Some supplier do not indicate to the PO or Contract number in their invoices - Some suppliers do not attached copy of the PO or contract page to their invoices. - Lack of the awareness of the importance to apply this control 	P	1. Observe the entry of invoices and the entry of PO information in the Invoice Register. 2. Observe data entry and verify invoice register spreadsheet displays PO limitations. 3. select samples of payments; and ensure the invoices are supported by authorized PO or CCOR, and match between invoice and PO to verify the manual controls.	CE		
				Auto & Manual	2. The invoice register spreadsheet automatically displays PO number and amount entered to Red cells if they total invoices received exceeds the PO amount. Therefore AP staff can investigate if there is additional PO or contract amendment to pay the invoice or there is no additional PO or contract amendment to hold the invoice.		P		EV		
				Manual	3. Finance staff verify if the PO and CCOR are properly approved by authorized people. 4. Finance staff identifies invoices for commodities, and investigates any commodities not being paid against a authorized PO, CCOR, and invoices		D		CE		

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					exceeds the authorized PO or CCOR via the database.						
b.4	Invoices may not be properly approved. Or high dollar may not be properly authorized.	Financial loss.	H	Manual Manual	1. Payment Voucher is signed by DOA approver based on authorization limit of DOA approver. 2. Supervisory review for all payments weather it is within the authorization limits for approvers.	N	P	1. Select a sample of invoices, and review for proper approval.	E	Non	None
b.5	Payments may be made to inappropriate payee.	Financial Loss	H [Fraud]	Auto Manual	1. Payment voucher can automatically giving “warning alert” note above coding table and below description for any variance between payee name in the vendor master and payment voucher 2. Finance Manager match reviews the basic information of the payments, such as payee name, amount, currency, adequate supporting documents	N	P P	1. Fill out new payment voucher and change the payee name to ensure the “warning alert” note is displayed. 2. Select samples of the payment and ensure the payment details in payment vouchers are agreed to the payment details in vendor master.	EV EV	Non	None
b.6	Supplier may invoice Company for items/services that their entitlement and risks have not been transferred to Company. Invoice may be delayed in delivery to Company and lead Company to pay in critical time, may lead Company to pay delay interest.	Financial Loss	H	Manual	1. All contracts or POs stated that the payments will be based on invoice billed by the supplier. 2. all the contracts or POs indicate to payment terms of paying within specific period of receiving the invoice or the goods/services whichever is later.	Most of the contracts indicates to pay the invoice within 30 days of receiving the invoice.	P	1, 2.obtain some major contracts and review payment terms to verify the payments terms are properly stated.	CEV	Non	None

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C Disbursements & Recording											
c.1	Cancellation and re-issue of checks may be improperly processed. spoiled checks may not be retained for evidence as to re-issue another check.	Financial loss. Misstatement of financial statements.	H [Fraud]	Manual Manual	1. Finance Staff ensure that the retained the cancelled checks or have adequate documentation and approves transaction 2. If the supplier loss the check, Finance staff ensure to obtain official letter issued by supplier that the check was lost and send consecutive letter addressed to the bank to cancel the number of lost check from our account.	N	P P P	1. Agree check information to supporting documentation. 2. Verify the spoiled or canceled checks are properly retained and canceled. And verify the re-issue payment is made properly.	E E E	Non	None
c.2	No adequate amount in the bank.	Disability to meet cash flow requirements for purchase transaction. Loss contingencies associated with purchases commitment. Loss availability of important supplier.	H	Manual Manual	1. The balance of the bank accounts are checked via reviewing bank registers on daily basis. 2. Requesting bank statement every week, and checking the balance.	N	P P	1,2. verify if the bank account was over drafted,	CE CE	Non	None
c.3	Inappropriate payments may be made to payee.	Financial Loss	H	Auto & Manual	1. Final Bank Register match between the amount, currency of each invoice in Bank register to the amount and currency of each invoice in invoice register, the unmatched amount or currency will make the Red Cells for the unmatched invoice.	N	D	Obtain samples and match the amount and currency of invoices in Final Bank Register to invoice register.	EV	Non	None
c.4	Not all payment transactions are posted to JDE or appropriately posted to JDE	Understated expenditure	H	Auto & Manual Auto Auto	1.Payment journals for bank is automatically drafted from final bank register in spreadsheets, copied and past to the Final Sana'a Payments journal sheets of excel 2.Adding, deleting and posting journals are limited to authorized accounting personnel 3. Deleting journals and posting journals should be authorized by only personnel in hierarchy up line finance level.	Deficiency. AP is authorized to add, delete and post journals, however, he should be authorized to add/upload journal only Deficiency. Any personnel who has Add, delete and post authorization can delete and post any journals that are not created by his team	P P P	Ensure that the draft journal pick up all the payment transactions of the current month	CV CE CE	Non	None