

Sandwich master Ltd



1. The objective of this report is to investigate and review the effectiveness of the internal controls and the structure of the accounting systems and procedures within Sandwich Master Ltd (SML). The report will highlight areas of concern within the organisation and any lapses in relationship or communication problems between various accounts functions of SML accounts team. The report is being prepared on the instructions of George Bartlett, the finance Director and part owner of SML.

2. The report is also prepared to meet the AAT requirements, as stated in the internal controls and accounting systems unit.

3. The report will seek to make recommendations that will help the organisation improve and build on its strengths and identify areas of weaknesses and address them along with areas exposed to potential for fraud.

4. The investigation which will assist in the conducting of this report will look at the accounts system as a whole, its individual functions and also the individuals responsible for the reporting and collating of data which in turn is used to prepare the monthly accounts. The needs and requirements of the stakeholders both external and internal will be considered and looked at, giving an insight to how their needs are provided for and what improvements can be made in making information clearer for them in the form of Financial statements.

5. The report will also be analysing the cost and benefits of the recommendations made to the accounts system of the organisation.

Executive summary

2. 1 The report prepared analyses the internal controls within the accounting systems of SML and makes recommendations to improve the current controls.

2. 2 The findings within the report are that a clocking in card system is implemented across the organisation. This would cost the organisation approximately £22, 440 (Appendix 5). The staff will require minimal training on how to use the clocking in machines. The machines come with user manuals.

2. 3 Another key finding of the report is to bring in Sage computerised payroll package. This will help make calculating wages, holiday pay and taxable benefit calculations simple, from the information recorded on the employee clocking in cards. Also sage computerised payroll package will help provide a secure means of employee payroll records.

2. 4 The sage computerised payroll package recommended will cost approximately £305 + VAT to purchase the software and a further £55 + VAT for providing training to each payroll clerk. This will train them on how to use the software package.

2. 5 A full cost benefit analysis is provided in section 10 of this report.

2. 6 The implementation of the recommended improvements will strengthen controls and minimise current fraudulent payroll acts within the system which have been identified. This will help improve the organisations finances by increasing profitability and as a result the overall performance.

Methodology

3. 1 It was apparent that there were a range of issues within the current accounting system and the way information was collated from retail outlets and reported by managers.

3. 2 In order to assess, and put in a plan of action to improve the current system along with how it should be managed, a review was carried out over six months, this review involved looking at the current practices of the shops by carrying out random spot checks, talking to employees and obtaining their views and concerns on current practices within their workplace.

3. 3 The existing accounting system was reviewed over six months. This enabled a SWOT analysis (Appendix 2) to be prepared, identifying weaknesses and making recommendations to improve the current system.

3. 4 To assist in making recommendations and investigating external regulation which impact on SML products were researched by looking through various websites and identifying products. The websites used were <http://shop.sage.co.uk/payroll.aspx> , <http://www.clockingsystems.co.uk/clock-cards.htm> , <http://www.bakersfederation.org.uk>.

3. 5 A Fraud matrix (Appendix 5) was prepared to identify and investigate any possible fraud within the accounting system, and conducting a detailed analysis of the controls in place to prevent such occurrences.

Introduction to the Organisation

4. 1 Background:

<https://assignbuster.com/sandwich-master-ltd/>

SML is a large, retail based bakery business which has been trading for over five years, with roots going back over seventy years. The business has a chain of over eighty retail outlets. It has six regional bakeries developed over the past few years. The business specialises in the making of sandwiches from freshly baked bread on the premises.

The original business had been established for over seventy years and was a medium sized family run business in the midlands, until the owner retired when the business was brought by four partners, Courtney, George, Emma and Jane who have since expanded. The business's head office is based in an area just outside Nottingham. This is where its management and account departments are based.

The business has been brought and expanded largely on finance in the form of bank loans, not much of the owners own capital has been invested in to the business.

4. 2 Customer Profile:

4. 2. 1 The customer base of the organisation is mainly individuals, who buy products for lunches. Much of the revenue is generated by the retail outlets during the lunch period. There are also some trade customers too.

4. 3 Organisation Structure:

4. 3. 1 The owners have not invested much of their own funds in the investment and expanding of the business.

4. 3. 2 The head office is in Nottingham. This is where management and accounts departments are situated. The business has a relatively flat and centralised structure. Where all five senior accounts staff report to the company accountant, who approves all payments along with the preparation of the monthly management accounts and reports for the finance director, George Bartlett who has overall responsibility for accounting procedures and systems. (Organisation chart Appendix1)

4. 4 Systems Structure:

The system structure is a decentralised one where all systems have their own computers. There are 38 computers in all in the head office in Nottingham and one for each of the retail outlets. All the computers in the organisation are running on the windows vista system. Inventories and purchase orders are made using MS Excel Spread sheets.

4. 5 External Regulations affecting the organisation:

4. 5. 1 The Company's Act 2006, this Act sets out the way in which Sandwich Master Ltd should prepare its financial statements. A change in the Act or any amendments in legislation should therefore be known to the company.

4. 5. 2 The Data Protection Act 1998, this Act is an Act of parliament which defines UK law on how to process data on individuals. The Act places a number of obligations on organisations on the way they handle data and the need to register with the information commissioner's office.

4. 5. 3 The International Accounting standards Board (IASB) issues statements and standards that have to be adhered to by the reporting

organisation. The refusal of following or adhering to these can lead to the organisation having to face court proceedings, fines and even prosecution.

4. 5. 4 The food safety Act, all businesses in the food sector must comply with strict food safety legislations and comply with the requirements of the food hygiene regulations.

4. 5. 5 The bread and flour regulations, which cover the permitted ingredients in bread, how bread must be labelled which is set out by the food labelling regulations.

4. 5. 6 SML must ensure that they dispose of food waste appropriately as this is a requirement placed upon all producers of foods. DEFRA <http://www.defra.gov.uk/> gives guidance on responsibilities.

4. 5. 7 The Health and Safety at Work Act and the numerous regulations made under it cover all aspects of health and safety at all business premises. Employers have a duty to ensure the health and safety at work of all their employees and those with five or more employees must prepare a written health and safety policy statement.