

Aat project based on the internal control of cookridge

[Business](#), [Accounting](#)



1. Terms of Reference 1. 1. The researcher made investigation on the effectiveness of the internal Controls and accounting system of Cookridge Carpets Company. It also has some additional contents such as recommendations that helps the company to improve its strengths and weaknesses to protect the company's reputation. 1. 2. The researcher also investigated on the stakeholders of the Cookridge Carpets company, both internal and external. The stakeholders play a very important role in helping the company's growth. 1. 3.

The report also investigates that the costs and benefits to Cookridge Carpets and stated that fraud is a major threat of the company. It is also been recommended by the researcher the terms in which this risks should be avoided. 1. 4. Lastly the researcher also investigated that the requirements of the internal Controls and Accounting systems Paper is part of the AAT Level 4 Diploma in Accounting. 2. Executive Summary 2. 1. This report investigates the effectiveness of the internal controls of the accounting systems of Cookridge Carpets company.

The recommendations are also made to show ways in which the Cookridge Carpets company can improve its system and performance. It is investigated that Cookridge Carpets company uses the centralized accounting system. That is, its accounting system is done in one place. As findings of the use of centralized accounting system were made, it is recommended that the accounts staff of Cookridge Carpets should be trained and be qualified in order to be Competent on their work. Thus improve the performance of the company. 2. 2. The researcher recommends that the Cookridge Carpets

company should maximize its security system to reduce the risks of fraud within the company. As well as BACS payments system should be used so that employees and suppliers are paid directly into their own accounts. This will minimize the use of cheques and cash as the way of payment hence improving the company's payment control system. 2. 3. If there is maximum security within the Cookridge Carpets company, this will boost the staff members morale and improve the credit control, payments to suppliers and lastly reduce the risk of fraud within the company. 3. Methodology 3. 1.

The researcher used the internet to research the data on how companies run or perform their business. 3. 2. The researcher used books as a reference as an addition to find out the information to help with the report. 3. 3. The researcher also interviewed Managers from different companies on how they run their business and what is expected in order to run a successful business. 3. 4. A questionnaire was also produced by the researcher and sent to both Internal and external stakeholders to find out their different strategies Of running a successful business. 4. Introduction to the Organisation . 1. Cookridge Carpets company is a large carpets, soft furnishings and bed dealership in Southampton. It is a main dealer for foam Beds and mattresses in the area and having been established in 2007, it has been trading for the past three years. It is a private limited company set by two brothers, Peter and John Cookridge. 4. 2. The two brothers purchased a large plot of land on which they developed an air craft hangar sized building to use as the carpet and bed showroom. They started out selling carpets and then expanded into beds and soft

Furnishings. In February 2010 Cookridge Carpets Company was asked by Memo Beds to become the main dealership for Southampton as the existing Local dealer was retiring. The two Brothers have been very successful in direct sales and have recently started selling carpets and beds over the internet. This Venture seems to have increased business. John is married to Paula, who acted as company secretary for the first two years of the company's existence.

4. 3. The Cookridge Carpets company has a relatively flat structure (see Appendix1). This is a benefit to the company because the structure as few levels of management, has wide p of control, it is decentralized, this means that thecommunicationbetween the superiors and subordinates is quick and also has high freedom ofresponsibilities of employees.

4. 4. The Cookridge Carpets company's accounting department system is Decentralized system. This means the accounting systems are done in various places. This is an advantage to the company because the decisions within the company are faster compared to centralized system, the top management has more time to do other things that are part of the decision making, and also the system is dynamic, this is it is adapted to change.

Leadershipstyle of the company is normally laissez faire because controls within the company is lacking e. g. employees use accounts department computers for their self-interest. Supervision is also poor, employees do work in their own preferred time.

4. 5. External regulations affecting the organization

4. 5. 1. The Data Protection Act 1998- This regulation states how Cookridge Carpets company should handle or manage the confidential information or data about the business. Cookridge Carpets has to make sure

that it follows the Act to avoid penalties if the data is disclosed without any legal agreement or action.

4. 5. 2. Late payment law- This Act states that Cookridge Carpets company must distribute payments fairly among employees and must not delay any payments for that matter. Failure to do so the company might face very disturbing penalties such as fines etc.

4. 5. 3. Health and safety legislation- Cookridge Carpets must company must Comply with the Act by making sure its customers or employees are having a nice safely working environment free from threats or hazards that may affect their health.

4. 5. 4. The company's Act 2006- This Act regulates that Cookridge Carpets must prepare financial statements and finalize them so that they are ready to be analyzed.

Fraud Act 2006- Under fraud act 2006 a person may face penalties if they breach one of the sections 2 (fraud by false representation), section 3 (fraud by failing to disclose information) and section 4 (fraud by abuse of position). Cookridge carpets especially the accounts department should make sure it abides by the Act to avoid penalties even imprisonment or even unlimited fines.

4. 6. Cookridge Carpets Internal Stakeholders

4. 6. 1. Owners- Peter and John Cookridge are the owners of the Cookridge Carpets company.

As the owners of the company, their responsibilities are to make sure that the company pays tax according to the principle. They also look at the financial statements of the business to see if the business is making a profit or loss. They also look at the costs of the the business as well as turnovers and also make budgets of the their own business.

4. 6. 2. Management- The senior accounts clerk is responsible for the management of the business. He is responsible for managing the accounting staff and making

recommendations reports based on the weaknesses of the accounts system to improve them.

Also to focus on the payroll system to make sure that it complies with the payroll Act required.

4. 6. 3. Employees- The business employed 20 members of staff; nine Direct Sales staff, three internet sales staff, two cleaners, two car delivery drivers, one accessory salesperson and lastly three part time staff in the small accounts departments.

4. 7. Cookridge Carpets External Stakeholders

4. 7. 1. Customers- Cookridge Carpets customers are owners of small business shops or stores who buy their goods from Cookridge Carpets and sells to other customers from their own shops. This is an advantage to both parties because the cash flow is being generated.

4. 7. 2. Suppliers- The supplies of Cookridge Carpets are manufactures of Goods including foam beds, mattresses and carpets. Suppliers will be focusing on the payments for goods being supplied. The financial statements will provide information to decide whether to provide credit to Cookridge Carpets company.

4. 7. 3. Bank- This is the main stakeholder of Cookridge Carpets because it deals with the financial accounts of the company as the company is facing some overdraft challenges. If the overdrafts needs to be repaid this might affect the company's budgets and cash flow thus disturbing the company's performance.

4. 7. 4. WestbridgeFinance- Cookridge Carpets company offers monthly Payment terms to all customers at 6months interest free credit. Once this period expires there is an annual interest rate of 28.4%. the company finance this through Westbridge, which charges an annual rate of 8.7% to the company.

4. 7. 5. The debt collection agency- This agency charges ? 80 per case to Cookridge Carpets company plus 30% of

any monies collected. 5. The Accounts Department 5. 1. Cookridge Carpets has accounts department office which is located on the first floor of the showroom.

Access to the office is by a set of stairs at the rear of the building. Toilet facilities for staff and customers are also on the first floor, so the stairs are used by the members. The accounts staff are responsible for preparing sales invoices and to manage credit accounts. There is a waiting room for customer service. The accounts department use the code in the organization. 5. 2. The accounts department is mainly used to prepare and complete all sorts of activities on production of the accounts involving sales and purchase ledger and payroll. 5. 3. The accounts department internal stakeholders 5. 3. . Peter and John Cookridge- These are the owners of the Cookridge Carpets Company, as the owners of the company, their responsibilities is to make sure that the company pays tax according to the principle. They also look at the financial statement of the business to see whether the business is making a profit or loss. They also look at costs of the business as well as turnovers. 5. 3. 2. Wages Clerk- This field is responsible for the preparation of the weekly and monthly payroll information. To accurately calculate all monies due wages and commission. To make up pay packets for the weekly paid staff and prepare BACS returns for monthly paid staff. To prepare all associated returns and documentation and willing to undertake extra hours as needed. 5. 3. 3. Accounts Clerk 1- The accounts clerk is responsible for preparing sales Invoices (sales ledger) in the accounts receivables. Responsible to manage credit accounts. To ensure that all payments are made within 90 days. To prepare monthly management

information and must be willing to undertake extra hours as needed. Also responsible for security of information and security of cash. 5. 3. 4. Accounts Clerk 2- The accounts clerk is responsible to check GRN

And purchase invoices in the accounts payables (purchase ledger). Responsible for liaise with carpets, beds and soft furnishings suppliers. To manage accounts payable accounts. To ensure that all payments are made accurately and on time. To prepare monthly management information and must be responsible for security of information and security of payments. 5.

3. 5. Senior Accounts Clerk- Responsible for managing the accounting staff and making recommendations reports based on the weaknesses of the accounts system to improve them. Also to focus on the payroll system to make sure that it complies with the payroll Act. . 3. 6. Stores Staff- These are

the company's additional staff that helps with customers. They work mainly in stores and require complete supervision and accurate help from the accounts members. 6. Review of the Accounting System 6. 1. The researcher investigates the accounting system of Cookridge Carpets and also makes recommendations to improve the system. 6. 2. This section also investigates the financial reports the accounts system should hand to their stakeholders and to see if it is acceptable to agree or to meet the company's needs and the stakeholders needs. The trengths and weaknesses are aided in the SWOT analysis (see appendix 2).

6. 3. Working methods and practices 6. 3. 1. Strengths in the working methods and practices within the systems of Cookridge Carpets are stated in the SWOT analysis in appendix 2 as follows;

* The Cookridge Carpets company's accounting system and Inventory system operates its payroll system using Sage Payroll to calculate the

employee's weekly wages and salaries. It uses Microsoft Excel and the invoices are made using Word document. The computers can also access internet which is helpful to the employees to search and get information they need quickly. The company also has an alarm within the premise which is used to reduce the risks of theft within the company. * There is also the use of passwords on computers to protect confidential information from being disclosed or stolen. 6. 3. 2. Weaknesses in the working methods and practices within the systems of Cookridge Carpets are stated in the SWOT analysis in appendix 2 as follows; * There is lack of back-up of important information of the company and this put the company at risk of losing this important information. * Most of the employees are not familiar with using the current systems like Microsoft Excel and Sage payroll system.

This is not good for Cookridge Carpets company because this might lead to errors in important data or documents of the company. * There is lack of discipline within the company. For example, some employees may just use the Accounts department computers for their self- interest like shopping on line. This is not good for the company because the computers are reserved to keep confidential information and should not be used by unauthorized staff members. * There is lack of communication in the company which may lead to poor decision making and action plans. * There is poor security within the company. For example, there was a case when John found the door of accounts department unlocked. * There is lack training for each of the roles within the organization. * There is lack of planning within the company. This is not good the company because this will make some errors in the business and the company would not be able to meet its goals or fail to meet its goals.

* Most Cookridge Carpets staff is part time workers. This is a disadvantage because there are not available in the office at all times to monitor the company' s performance or taking part in some tasks needed for the performance of the company. 6. 4. Record Keeping System 6. 4. 1.

Weaknesses in the record keeping system are stated as part of the SWOT analysis in appendix 2 as follows; * The Cookridge Carpets company payroll is done manually, this is not good for the company because errors may easily result or occur. * Most staff is not comfortable or highly trained effectively on the use of Microsoft Excel system and the Sage payroll system. If they continue using these systems, errors on documents such as spreadsheet may build up and cause the company to produce inaccurate financial reports of the business. * There is no work being done for other members of staff when they are absent at work.

Important or urgent work is there for done manually for them. This is not good the company because errors may result in the work being done. * The staff take cash directly from the till and the petty cash is not properly recorded. * Wages are done manually and in advance, therefore are not accurate. * The staff hours are recorded manually and the wages are calculated manually by the basic hours made by the staff leading to inaccurate payment. * There is lack of security within the record keeping department. This is not good for the company because confidential information may be stolen to be used against the company. . 5. Training of staff 6. 5. 1. The weaknesses in the training of staff of Cookridge Carpets company are stated in the SWOT analysis in appendix 2 as follows; *

Cookridge Carpets employees lack training in their accounting field. This is not good for the company because it leads to lack of knowledge and understanding about general controls and the company procedures. Errors may also occur due to lack of train, this might affect the performance of the business. * Cookridge Carpets staff is also lacking training on the use of the current systems.

For example they are unable to used the pivot tables in the excel spreadsheets and the as well as the Sage payroll system. This is also good for the company because it can cause for further errors to the business. 7. Internal controls and analysis of fraud 7. 1. Internal System of Control 7. 1. 1. Cookridge Carpets company's controlling system is not that productive, in other words is informal. The company's control system is based firmly on trust. This is not good at all for the Company because fraud can be easily arises. Formal internal controls system is good for Cookridge Carpets because potential risks of fraud may be reduced. . 1. 2. The internal control system weaknesses are identified in the SWOT analysis in appendix 2 as follows; * Passwords - One password is being used to access the accounts department systems. All employees can be able to use the password in accounts office, this is not good for the business because the computer stores confidential information which is not allowed for the members of staff to see or disclose without any legal permission. * Wages- Wages are calculated and recorded manually within the business. This is not good for the business because inaccurate results or documents about wage are being produced.

There is also no control in place for who collect staff wages and wages are not signed for in the business. * Petty Cash- There is no petty cash control system within Cookridge Carpets at all. The amount used from the petty cash is not recorded, which is also not good for the company because it influences the risks of theft within the business. * Cheques- The control system of the business involving cheques within the company is very poor. It is poor in the sense that blank cheques are signed and left with staff. The system is also poor because the office where the cheque books are kept can be left unlocked. Cash- The controls in regard to the use of cash is very poor within the business. Cash produced is normally used to pay wages of the staff and also calculated manually. Tills are also not counted for; the amount taken is also recorded manually. * Counter Signatures- Cookridge Carpets company's controlling system on wages is not effective. Wages are not cross checked to prevent some errors that may easily be produced. * Credit Control- The company's control in the credit control system is not that adequate. The company use or seek help from the credit reference agency when they grant credit to customers. New supplier and customers- Cookridge Carpets company has poor controls in regard to new customers and suppliers of the company. This is bad for the business because confusions between old and new customers and suppliers can be created and cause serious problems to the business. * Authorisation- Cookridge Carpets lack effective authorization control. Wages are not authorized in a formal manner because they are calculated and recorded manually. This is not good because errors can easily occur. Cheques are also needed to be signed by the owners.

7. 2. Analysis of fraud

7. 2. 1. There are possible frauds that could take place within the

Cookridge Carpets company's control system. There are no evidence were the searcher found cases of fraud within the company. The effective controls should be introduced that prevents such cases. 7. 2. 2. The SWOT analysis in appendix 2 shows the weaknesses within the system as follows; * Cheque books are not safely stored in a secure place. This is not good for the company because the cheque books might get misplaced or they can be stolen. * The company use cash to pay wages which is not good for business because cash can easily get stolen by the employees without anyone noticing. The risk of fraud can easily take place in cases were cheques are signed and left blank for staff to use when the owners are not at work. * There are ways in which the staff can just takemoneydirectly from the tills instead of using the petty cash system. This is not good for the business because the staff can take the business money for their self- interest and don't return it back or pay for it. * Cash is used to pay the members of staff and the payment is calculated and recorded manually. This is not good because errors may occur and this could make the staff to be paid more or less than the correct amount they should earn. . Recommendations to improve Cookridge Carpets Accounting System 8. 1. The following are recommendations that can be made to improve the weaknesses found by the researcher. 8. 1. 1. The password used to access the system must be changed to Avoid the risks of disclosing confidential information and to reduce the risk of fraud. The staff of Cookridge Carpets must be informed of the need to have the effective controls to work efficiently. 8. 1. 2. Cookridge Carpets company staff must be given formal accounting training to improve on their weaknesses in order to reduce or eliminate possible errors.

This could also help them to have much understanding of the importance and the need for controls within the company. 8. 1. 3. Cookridge Carpets should introduce controls that deals with new suppliers and customers to the accounts system. The owners should be fully involved to reduce the risks of fraud within the business. 8. 1. 4. The company should also introduce the effective petty cash control system within the organization. This will benefit the company because the petty cash would be recorded appropriately and this would reduce the risks of fraud as the cash taken from the till would be recorded. 8. 1. 5.

Cookridge Carpets company should back up its system. This will benefit the company because the important information would not be lost in the event of a system failure or if incidents like fire outbreak occur. 8. 1. 6. The Senior Accountant should be fully responsible for the management and operation of the new system introduced within the Cookridge Carpets company to avoid poor performance of the company and maintain efficiency and effectiveness. 8. 1. 7. The company must make payments to employees and suppliers by BACS. The payment should be made directly into bank accounts to reduce the use of cash and cheques for payments.

This will benefit the company a lot because the risks of fraud and theft would be controlled as well as errors made during Calculations as the company make calculations manually. 8. 1. 8. Cookridge Carpets company should insure that it keeps cheque books in a locked and secure place like a safe. The system of signing blank cheques should also be stopped. The Senior Accounts clerk should be put in control of signing cheques when the owners

are upset. This would reduce the chances of fraud within the business. 8. 1. 9. There should also maintain a fully up to date register of working taff hours to ensure that staff are at work at required times. Cookridge Carpets company staff must always be informed to cover for each other's absence to continue the working progress. This will be a good advantage to the company because the performance will improve. 8. 1. 10. Staff should also be trained on the operation of the new systems like the use of Microsoft Excel spreadsheet and the Sage payroll software. This would benefit the company because the staff would be having operational skills hence improve performance and efficiency of the company. 9. Cost benefit analysis 9. 1. The following is a completed cost benefit analysis of the ecommendations to introduce a centralized accounting system within Cookridge Carpets company; 9. 2. COSTS 9. 2. 1. Cookridge Carpets company would need to purchase effective equipment for the network of computers. The organization would rather buy cables or use a wireless network. The costs of all this is approximately ranging between ? 600-? 1, 600. Wireless network would be faster than cabling but the connection could be lost on some occasions. Cabling on the other hand would be more reliable because it is less expensive compared to wireless network. 9. 2. 2. The staff can continue using the current manual system f the organization face some disturbance or disruptions to the new system. As the workload will be a lot, additional staff will be needed to enter data about particular documents of the organization so that the system would be fully operational. This would require costs of approximately ? 3000. 9. 2. 3. The organization would also need to look at costs of introducing procedure manuals to ensure staff can use the system

and a rota to cover some elements when some staff are not available at work. The senior accounts clerk will need to monitor this progress and would take approximately 30 hours of their time if the workload is too much. 9. 2. 4. Cookridge Carpets company would also need to purchase centralized accounts package such as Accounts Professional which has been designed for both small and big companies. There are different types of packages of this kind and the company will have to choose which package is best suitable and needed by the company. This package would cost approximately ? 3, 500 depending on the quality and size. The package should be simple to operate and should come with instructions on how it is used. 9. 2. 5. If the staff finds it more complex to use or operate the package purchased, the company would have to provide training for staff. Courses for staff would cost approximately ? 500-? 700 depending on the level of training. 9. 2. 6. As part of training on the operational of the new accounts package purchased, these would be an opportunity cost of the staff not be available at work. 9. 3. BENEFITS 9. 3. 1. Cookridge Carpets would need to complete the centralized system reports including the financial system of the business. This could be monitored by both the owners of the business or the senior accounts clerk to ensure that the business is running according to plan and the cash is being generated and managed effectively. This reports processed would include; * Payroll Reports * Income Statements * Aged debt analysis * Supplier payments reports * Statement of financial position * Cash flow statement * Costs by cost centre/code * Analysis of petty cash expenditure 9. 3. 2. Cookridge Carpets would need the cash flow statement to help the owners John and Peter to study the cash flow of the organization. It could also help

them to manage the cash more effectively and efficiently to minimize the overdraft and other fees within the business.

It could also help them with planning and budgeting other cash expenditures of the business. 9. 3. 3. The organization would need the age debt report to improve the system on making debts and to make sure that the customers who do not pay the business on time are closely monitored in order to minimize the issue. This could also make it difficult for the customers to misuse the current controls thus many bad debts would be closely prevented. 9. 3. 4. Payroll reports of Cookridge Carpets company would be more accurate and up to date on rules and regulations set by the business. This would minimize confusions and incorrect payments and doing calculation thus improving the staff's performance and efficiency in work. 9. 3. 5. Cookridge Carpets company would benefit a lot on using a centralized system because it will be used as a back up just in case the system being used breakdown. Cookridge staff would continue with their tasks if one of the computers fail to function or breaks down. There will be reduced risks of losing important data because if the main system fails to work, it would be operational once again and this time would be fast in performance. 9. 3. 6. Another benefit to Cookridge Carpets would be the formal training of staff.

This would be helpful to the business because it will increase and improve efficiency and effectiveness of staff on their work. Their morale would also be improved thus bring commitment to the organization with lower staff turnovers. The morale of the non- accounting staff would also be improved due to the accurate and complete wages. 9. 3. 7. Cookridge Carpets would

benefit by having an improved cash flow system because the supplier reports on payments are implemented and suppliers are paid on time. this could further more benefit the credit terms and conditions that suppliers grant Cookridge Carpets company. 9. 3. 8.

Another benefit of the company would be the lower risks of fraud prevented by the improvement of the controls within the system as well as improved control cost. Reports on costs would help the owners of the business with the payments and wages and states where some costs are higher or lower than expected by the business when they are finally analyzed. 9. 3. 9. The business would use the statement of financial position to show the assets and liabilities of the company. It would also show details of the receivables (debtors) and payables (creditors) and allow the owners to have a regular and more accurate picture of these. This ould help the company to highlight any issues with the size of payables and receivables. 9. 3. 10. The business would also benefit by using the income statement to show the owners of the company the income or revenue received received and the costs of the business. This could show profitability by month or by product depending on the details required. This would help the owners with decision making and analyzing the business and would highlight key costs such as bank interest.

Appendix 1- Organization chart Appendix 2- SWOT analysis STRENGTHS| WEAKNESSES| * There is an alarm code they set every day evening when they lock up. * Access to the accounts office on the first floor is easy because the keypad lock is never used. | * All computers are loaded with licensed software owned by the company| * The password used on all of the computers is the same and never been changed. | * No member of staff is

allowed to load any software onto the computers without subsequent permission from the manager. | * The check book is not kept in a perfectly safe area. | * No unauthorized devices are to be used for saving, uploading or downloading work other than those purchased and approved by the company. * There is lack of control as all staff can get access to the accounts office with the common password. | * No unauthorized discs, memory sticks, external hard drives or other devices are to be used within the accounting system. | * Cash being generated is used to pay wages; this is not good for the company because it increases the risks of theft. | * Only authorized members of staff are to use computers. | * There are high risks of errors within the business as some staff is not qualified in accounting. | * The inventory information of beds, carpets and soft furnishings are kept on Microsoft excel spreadsheet. * The inventory information of beds, carpets and soft furnishings are kept on Microsoft excel spreadsheet. | * Two new computers were purchased by Cookridge Carpets Company and are both running the Windows vista operating system. They are also loaded with Microsoft Office 2007 (with a three user license) . | * There is lack of control concerning the petty cash system; some staff can just take the money from tills without recording the amount being taken. | * There are also two new computers purchased and loaded with Sage Payroll software. * Some staff has lack of knowledge on using the new systems like Microsoft word excel. This is not good because it might cause plenty of errors within the business. | * When the computer system was set up, a password was installed to protect the information stored on it. | * Invoices are processed manually; this is not good for the business because errors can easily be made during processing. |

| * The cash taken from tills is not recorded; this is not good for the business because risks of fraud and theft may easily occur. | * There is inaccurate staff pay due to lack of controls on staff hours and manual calculations of wages. | | * Payments to suppliers are made without informing other staff members. This is not good because it may lead to high chances of fraud. | | * There is lack of authority; blank cheques are signed to cover absence. | | * There is inaccurate staff pay due to lack of controls on staff hours and manual calculations of wages. | OPPORTUNITIES| THREATS| * There is an opportunity to introduce some back up staff to cover for those who are absent so that work can continue being done without any delay. * If staffs who lack knowledge and experience continue using the spreadsheet and some other software, it will bring threats to the business. Errors will be made during the working progress therefore the results of the data being produced would be incorrect and inaccurate. | * There is an opportunity to introduce formal training to staff that lack knowledge and experience in accounting and also the new system they use like the use of Microsoft excel spreadsheet and new software introduced by the business. * If the company does not back up its current systems, there will be a threat of losing some important data of the business when the system in use breakdown. | * There is an opportunity to introduce close monitoring and control of the payroll system and internal audit to the company's accounting system. | * It appears that one password is used to access the accounting department system. This is a threat to the business because the computers are likely storing confidential information which is not supposed to be seen by the staff without any authority or permission. * There is an opportunity of using new systems such

as the Microsoft excel spreadsheet to record and calculate data. This is good for the company because recording data manually will be replaced. | * Using cash to pay wages of the employees is a threat to a business because fraud and theft can easily take place within the business. The wages may on the other hand be incorrect due to the manual calculations. | * There is an opportunity to introduce some back up staff to cover for those who are absent so that work can continue being done without any delay. * It appears that office staffs are paid by cheques. This is a threat to the company because the frequent use of cheques can lead to risks of cheques being stolen or fraudulently used. | * There is an opportunity to introduce formal training to staff who lack knowledge and experience in accounting and also the new system they use like the use of Microsoft excel spreadsheet and new software introduced by the business. | * There is a threat of making incorrect and inaccurate invoices due to manual completion of invoices. * There is an opportunity to introduce close monitoring and control of the payroll system and internal audit to the company's accounting system. | * If staffs who lack knowledge and experience continue using the spreadsheet and some other software, it will bring threats to the business. Errors will be made during the working progress therefore the results of the data being produced would be incorrect and inaccurate. | Appendix 3-Fraud Matrix

Potential Fraud	Current Control	Risk To The Organization	Recommendations