




























# Finance/compliance health check

Client                      ABC Motors Ltd  
Date                         31/12/2018




<u>Area of review</u>	<u>Result</u>	<u>Detail/comments</u>
<b>Balance sheet</b>		
Fixed assets		A capital expenditure authorisation and write down procedure should be introduced and documented
Vehicle stocks		Monthly vehicle stock checks to be performed and documented. Ideally stock checks should be carried out by someone not associated with the sales department but this is not always possible/practical. If this is not possible, the stock sheets should be reviewed by senior management to ensure the check is being performed correctly and any anomalies investigated.
Other stocks		Parts stock checks to be performed twice annually along with perpetual system checks. Ideally any stock adjustments should be input by someone not associated with the parts department (e.g. the Manager from another site) but this is not always possible/practical. If this is not possible, the stock sheets should be reviewed by senior management to ensure the check is being performed correctly and any anomalies investigated
		Accounts to run an aged parts report as part of their month end process and provide for 100% of stock at 12 months. Overage parts will remain in stock until actually disposed of at which point accounts can offset any loss against the provision provided.
Debts		Adopt a formal WIP provision policy calculated by accounts e.g. all balances over 30 days
		Adopt a formal debt provision policy calculated by accounts e.g. all account debts over 90 days and vehicle debts over 45 days
		A credit note authorisation process should be introduced and documented. A monthly report of credit notes issued should be reviewed by senior management and any anomalies investigated
Banking		Confirm with the bank if the Group is required to complete PCI compliance
Control accounts		Bonus accrual to be reconciled by accounts at least quarterly with sign off from accounts and senior management. Any overdue bonus to be investigated and adjusted as appropriate
		Goods in suspense accounts to be reconciled and a documented reconciliation carried out every month moving forward
		Procedures around vehicle admin should be reviewed to reduce the volume of outstanding reconciling items within suspense account 9505. This would involve reconciling 9505 before the VSB is closed
Suppliers		Supplier statements (including manufacturer parts and floorplan statements) to be reconciled monthly and that reconciliation documented and held on the month end file
		A purchase order system should be documented and introduced
Composite		
<b>Profit and loss</b>		
Invoicing		Adopt a tighter vehicle sales recognition e.g. delivery date
		A report should be introduced that can highlight vehicles sold through the internal line. This will be utilised to ensure vehicles don't slip through the net and are being moved continuously and also ensure that sales managers aren't swapping vehicles between themselves to avoid an aged stock penalty
Forecasting/DOC		Cash flow forecasting to be introduced to better identify potential issues and reduce over funding and therefore funding costs
		The WOC forecast is not reconciled to the final monthly accounts. This is a worthwhile exercise to improve accuracy of the WOC
Budgets		

Month end		A report of all journals should be run on a regular basis (monthly) and reviewed by a senior member of staff. Any unusual/large journals should be investigated
Business reviews		Monthly meeting minutes or action points should be produced for each meeting with review of these forming the first item on the meeting agenda




#### HR

Process		The accounts teams (those who process payments) may benefit from some information/training on potential frauds and how to prevent them
Payroll		Market review of payroll systems to determine if better value can be obtained from an alternative supplier
Pension		
Structure		
Expenses		Expense claim process should be implemented/documentated
Fuel		See benefits below







#### IT

Systems		
Accounts		Review of the benefits/costs of the adoption of an integrated accounts package
Other		

#### Tax

VAT		Standard VAT reports (NV1, NV2a&b, UV1, UV2, UV3, UV4a&b, UV5) should be checked prior to completion of the VAT return
Payroll		
Benefits/P11Ds		Company cars (and particularly private fuel) should be reviewed to mitigate the risk of any potential PAYE penalty arising from a HMRC inspection

#### Other

Contracts		
Compliance		
Property		
H&S		
Other	 	The MD is the principal driver of the business so key man insurance should be considered if not already in place Introduce a Group policies and procedures manual Introduce a Group policies and procedures manual

#### Notes:



- No issues noted



- Some areas of concern noted that should be investigated when time/funds allow



- Significant potential issues identified that require investigation as soon as possible

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My work in connection with this assignment is of a different nature to that of an audit. My report to you is based on inquiries of and discussions with management, a review of the accounts and other documents made available to me. I have not, except to such an extent as you requested and I have agreed to undertake, sought to verify the accuracy of the data or the information and explanations provided by management