

Global Internal Audit Services

Conducted in Accordance with the International Standards for the Professional Practice of Internal Auditing.

Organizational unit:
Unit XY

Report No.:

15/2007

Audit Title: Purchasing Audit

1

Management Summary

2

Implementation Report

Appendix



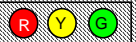

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Organizational Chart

Global Internal Audit Services

Management Summary

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Audit Title:		Audit Report No.: 15/2007			
Audit Type: Standard	Audit Status: Basic Audit	Date of Audit: 12 - 23 February 2007			
Auditor(s): John Miller, Jane Myers, Bill Smith	Executive Responsible: Catherine Dubois	Date of Closing Meeting: 23 Febr. 2007			
Participants of Closing Meeting: Tim Cohen, Catherine Dubois, Sonia Jiang, John Miller, Jane Myers, Maria Rojas, Bill Smith					
Distribution List: Tim Cohen, Catherine Dubois, Sonia Jiang, Maria Rojas,					
<p>Note: Due to confidentiality requirements the distribution of Audit Reports must be limited. Therefore, please forward this report only to the additional parties which should be informed and / or might be part of the implementation of the audit recommendations.</p>					
<p>Overview/Audit Objectives: Global Internal Audit Services has conducted an audit of the purchasing function. The audit included Purchasing's organizational structure, policies and guidelines, as well as the relevant operational and financial processes.</p>					
Audit Status (please tick)	Date	Audit Rating	Overall Audit Statement/ Scoring	Findings / Recommendations	Ref. Impl Report
Basic Audit <input checked="" type="checkbox"/>	12 - 23 February 2007		Needs Improvement	<p>1. Signature policy: Finding/observation: The signature policy has not been adapted to the current organizational structure and is thus not up-to-date. Recommendation: The signature policy is to be adapted to the current organizational structure as laid out in the organizational chart.</p> <p>2. Vendor selection and competitive bidding process: Finding/observation: The practice of soliciting at least two bids from external vendors prior to award of contract has not been implemented in all Purchasing areas and has not been included in the purchasing guidelines as a requirement. Recommendation: A rule is to be included in the purchasing guidelines requiring the solicitation of at least two offers from external vendors. This rule is to be implemented in all Purchasing areas.</p>	<p>1</p> <p>3</p>
Status Check I <input type="checkbox"/>			Meets Standard		
Follow-up Audit I <input type="checkbox"/>			Meets Standard		
Status Check II <input type="checkbox"/>			Meets Standard		
# of findings: 3		New: 3	In process:	GIAS Pending:	Open:
		Reasonably controlled:		Done:	Mgmt. disagreed:

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Audit Implementation Report No.: 15/2007					Organizational unit: Purchasing				
Audit Status: Basic Audit					Auditor(s): John Miller, Jane Myers, Bill Smith				
Audit Items					Monitoring				
No.	Classification	Observation/Finding	Risk Category	Recommendation	Action/ Management Responses	Responsible	Completion date	Status Local Management	Status GIAS
		Strategy and organizational structure							
1	B	<u>Signature policy</u> <u>Risk condition:</u> The signature policy has not been adapted to the current organizational structure and is thus not up-to-date. <u>Risk consequence:</u> There is a risk that unauthorized persons might sign documents to the disadvantage of the company.	Business risk	The signature policy is to be adapted to the current organizational structure as laid out in the organizational chart.	Recommendation will be implemented	Catherine Dubois	03/2007	O	New
		Accounting							
2	L	<u>Finance and administration responsibilities</u> All accounting entries, including supplier invoices, are to be carried out by the financial accounting department. GIAS found out that all supplier invoices related to the car pool are being entered into the accounting system not by the financial accounting department but by the respective area within Purchasing. <u>Risk condition:</u> Segregation of duties and the dual control principle are not guaranteed. <u>Risk consequence:</u> Risk of incorrect accounting entries.	Financial risk	All supplier invoices are to be entered into the system by the financial accounting department.	Recommendation will be implemented	Catherine Dubois	03/2007	O	New

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No.	Classification	Observation/Finding	Risk Category	Recommendation	Action/ Management Responses	Responsible	Completion date	Status Local Management	Status GIAS
		Purchasing process							
3	B	<p><u>Vendor selection and competitive bidding process</u></p> <p><u>Risk condition:</u> (1) Good business practice requires that at least two offers from external vendors be available prior to award of contract. This requirement has not been included in the purchasing guidelines. (2) The practice of soliciting at least two bids from external vendors prior to award of contract has not been implemented in all Purchasing areas.</p> <p><u>Risk consequence:</u> There is a risk that the supplier selection process is not guided by efficiency and effectiveness considerations. This may lead to financial and/or quality loss.</p>	Business and financial risk	A rule is to be added to the purchasing guidelines requiring the solicitation of at least two offers from external vendors. This rule is to be implemented in all Purchasing areas.	Recommendation will be implemented	Catherine Dubois	03/2007	O	New

Organizational Chart

Purchasing

