

Internal controls

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1. Objective and Scope

The purpose of this document is to explain how to perform the internal controls for Accounts Receivable process.
The Internal Controls mentioned in this OP aims to ensure:

- Compliance with AR procedures
- Application of Service Owner's instructions and guidelines
- Assure the mitigation of financial risk in key tasks

This operating procedure (OP) applies to all EMEA companies and customer payments for invoices factored to Solvay SA. The only exception is related to control "Review of receivables not assigned to Factoring company" in which we analyze all Regions (EMEA, NAM and APAC).

2. Definitions

- GBS: In the current document, "Global Business Services" will be replaced by its abbreviation "GBS".
- AR: Accounts Receivable
- CM: Credit Management
- DT: Digital Technology

3. INTERNAL CONTROLS

3.1 Daily review of Unallocated payments

The control of the Unallocated cash is done in order to ensure that no payment received is open on the sub-account without having been correctly addressed and escalated asking more details.
Use FBL3N transaction in PI1 system to check the unallocated payments as below:

G/L account selection

G/L account

50***16

Company code

0231

Selection using search help

Search help ID

Search string

Search help

Line item selection

Status

Open items

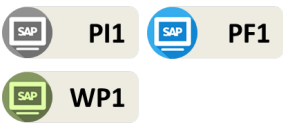
Open at key date

22.05.2017

Scope



ERP



References

Content by label

There is no content with the specified labels

Attachments

Select only the document type "TI" (transfers IN) and then search by "unallocated" in the text field. Example below:

G/L Account		50501EUR16 Fortis Bank Brussels (EUR) Credit trfs received CU									
Company Code		0231									

St	Assignment	DocumentNo	BusA	Type	Doc. Date	PK	Amount in doc. curr.	Curr.	Tx	Clrng doc.	Text
☐	☒	0029633200093EUR	9002815739		TI	07.04.2017	50	1.457,90-	EUR		Unallocated #589619
☐	☒	0029892700117EUR	9002857751		TI	16.05.2017	50	420,00-	EUR		Unallocated; Ticket #704269
*	☒							1.877,90-	EUR		

Afterwards, for all the open payments we should do the follow-up by verifying if the item can be cleared, sending reminder or escalating to AR Process Expert if it is blocked for resolution.

For **PE1** and **WP1**, the payments are posted on customer accounts by Finance team (automatic postings during the bank statements upload). Therefore Finance team should create a ticket to Credit Management in case of unallocated payment in which they are sure it is customer related.



- During the cash allocation, we should assure that for all TIs (transfer-in), which are really customer payments we are not able to identify the customer, we insert "unallocated" in the text field. For the remaining payments which we identify as Vendor reimbursements, Abbott payments and DT technical issues, we should have the justification in the text (ticket number) but it shouldn't mention unallocated.
- We should do the follow-up in a daily basis and the sending of the reminders should be adapted to the situation and time of the month (we should analyse case by case and assess which is the frequency which makes more sense).

On a daily basis the following file is updated:

https://docs.google.com/a/solvay.com/spreadsheets/d/1EpMHi4vG9yZUU2P9x7Val9GMiR_aN50ytj87XDGiUAE/edit?usp=sharing



Warning

- All cases should be justified with the reason and mention to whom it was escalated as below
- The list of unallocated payments should be copied from the file and added to the daily email

Example:

Date/Time Opened	Regions & domains	Case Owner Alias	Amount Currency	Amount	Case Number	Age (Days)	Comment	Escalated to
07.03.2017	GERMANY	PT63016133	EUR	125,75	Ticket 487387	69	Unknown customer	Bernd Brinkmann; Petra Karnbach
07.04.2017	EXPORT	PT63016133	EUR	1.457,90	Ticket 589619	39	Unknown customer	Credit Management Europe + Asia
21.04.2017	FRANCE	PT63000870	EUR	1.292,68	Ticket 639067	26	Unknown customer	Societe Generale; Inovyn
21.04.2017	GERMANY	PT63016133	EUR	1.242,36	Ticket 639604	26	Payment needs to be rejected	
05.05.2017	FRANCE	PT63017854	EUR	598,04	Ticket 673637	13	Unknown customer	parisetoile.recherchesmdp@socgen.com
08.05.2017	EXPORT	PT63035534	USD	5.076,13	Ticket 682215	10	Unknown customer	ccs@bnpparibas.com
16.05.2017	EXPORT	PT63000870	EUR	420,00	Ticket 704269	2	Unknown customer	europe.creditmanagement@solvay.com
Grand Totals (7 records)				EUR 5.136,73 USD 5.076,13				

3.1.1 Escalation procedure

For unallocated cases for more than three months and if no answer received or if is not enough to allocate the payment, the team member doing the controls should send an email to Accounts Receivables Service Owner, explaining the reason why it is being escalated (mention if no answer received, doubts, proposal). In case it is interco related or any technical constraint, a reminder should be sent to the company related or to DT.

3.2 Weekly review of Unmatched payments

The objective of this control is to assure that all non-matched payments equal or above 50.000,00 EUR have been analyzed and escalated. Therefore a list with all those items has to be justified.

This weekly control must be done on Thursdays.

In P11:

Open FBL5N transaction and chose the following variant:

UNMATCHED	Unmatched control
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[illegible]

Execute



The following screen appears

PF1 and WP1

Example:

Order Number	Customer Name	Document(s)	Type	Exp. Date	Amount in US\$	Case ID	Reason	Status	Owner
0231 330093	SAULI AIRI LIMITED	7000017106	EXP	02.03.2007	1,910,813.13	491577	Debt maturity (exp. amount)	Cap in collector	Cap-Collectors
0231 722036	COCHEN PHARMIA BULGARIAN BLD	7000017064	EXP	02.03.2007	500,000.00	491667	Debt maturity	Paid	Coaches payment plan
0231 722034	PRAXAIR AG DUTCHLAND SUBS	7000017062	EXP	02.03.2007	360,000.00	491667	Debt maturity	Cap in collector	Cap-Collectors
0231 722035	REALCO LTD BULGARIA	7000017063	EXP	02.03.2007	620,000.00	491667	Debt maturity	Cap in collector	Cap-Collectors
0231 330097	ACULUM HANSA INDUSTRIAL GASES &	7000017107	EXP	02.03.2007	83,500.00	491666	Payment plan (14433777)	Cap in collector	Cap-Collectors
0231 152405	NIPART SA	7000017195	EXP	02.03.2007	79,118.00	492509	Debt maturity	Cap in collector	Cap-Collectors
0231 152320	GE CHEM SALINORS	7000017028	EXP	02.03.2007	66,355.00	492721	Debt maturity	Cap in collector	Cap-Collectors

UNMATCHED	Unmatched control
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For each of the unmatched amounts, AR team should update the file below and describe the reason of non-allocation and mention to whom it was escalated:

<https://drive.google.com/file/d/1mWwpBwCAvBILJdIDEIKTMNiBTv8wecWq3gZOOKCWHHs/view>



- The list of unmatched payments should be copied from the file and added to the daily email

3.3 Monthly review of receivables not assigned to Factoring company

The principle is to have all customers/receivables from a company with convention with Solvay SA/Essential FA assigned to the Factoring company (Cc 0231/6440). Therefore, the objective of this control is to show evidence that customers not assigned have a valid reason in the "Long text" field for not assigning its receivables.

This control should be done **once per month on the D+2** in the two local systems assigning to Solvay SA/Essential FA: PF1 and WP1.

Open **Z3F_FA_MD_REPORT** transaction in local systems and choose the following variants in all systems:

Variant name	Short Description
APAC	Partner country - Asia Pacific

EMEA	Partner country - EMEA
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NAFTA	Partner country - North America
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Execute



Factoring Master Data Reporting

Partners Data

Partners Type
☒ Customers/Agents ☐ Vendors/Agents

Affiliate company code to
 Affiliate country to
 Partners to
 Partners Country to
 Trading partner
 Account group to

Factoring Parameters

Factoring Allowed
 Factoring Chained
 Factoring Manual Exception ☒ Reason Text ☒

Activity

☒ Any Posting?
 Search back days
☐ All partners
☒ Only active partners
☐ Only inactive partners

The following result is showed:

We can see a line per customer and in the "Long text" field it should be inserted the reason of not assignment to companies 0231/6440. The valid and justified main reasons are:

- Legal reasons (Ex. Italian law)
- Contract decision to local bank account
- Private persons
- Old doubtful accounts (not new cases)
- Local specificities (it should be detailed the reason)

Other reasons from these ones should be analysed and escalated to Aurelie Mazerot and Hugues Frisque.

This result should be extracted to excel as below:

Factoring Master Data - Customers (253)

Art. Cnt.	Art. Co.	Customer	PSG Payee	Name	Country	Act.	Act. Gr.	Payee?	Dbl.	Dbl.	Trdg. Pt.	Print mnt.	P.	Partner Ty	Fact.A.	Chained	Manual	Long Text
0861	FR	109424	FR	LYCEE POLYTECHNIQUE LE WIND SUD	FR	Yes	2791	Y					C	Customer	No	No	Yes	W550: data takeover 201
0819	FR	114422	FR	SOLVAY COMBUSTIBLES FINANCE S.A.S	FR	Yes	2791	Y			3475		C	Customer	No	No	Yes	W550: data takeover 201
0861	FR	114568	FR	LYCEE PROFESSIONNEL GUBRAY	FR	Yes	2791	Y					C	Customer	No	No	Yes	W550: data takeover 201
0796	FR	120606	FR	OPICA SUD	FR	Yes	2791	Y						Customer	No	No	Yes	Data Takeover: 00-00-00
0861	FR	121845	FR	BESTSTONE	FR	Yes	2791	Y						Customer	No	No	Yes	W550: data takeover 201
6827	TH	300011	TH	SAIPAN SOLVAY K.K.	JP	Yes	2702	Y			360	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	300012	TH	1807THAI PUBLIC CO., LTD.	TH	Yes	2791	Y			676	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	300401	TH	SOLVAY INDUSTRIAL LIMITED	TH	Yes	2791	Y			360	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	303010	TH	SOLVAY SINGAPORE Pte Ltd	SG	Yes	2702	Y			364	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310701	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310702	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310703	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310704	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310705	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310706	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310707	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310708	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310709	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310710	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310711	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310712	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310713	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310714	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310715	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310716	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310717	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310718	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310719	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310720	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310721	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310722	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310723	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310724	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310725	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310726	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310727	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310728	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310729	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310730	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310731	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310732	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310733	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310734	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310735	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310736	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310737	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310738	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310739	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310740	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310741	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310742	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310743	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310744	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310745	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310746	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310747	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310748	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310749	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310750	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310751	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310752	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310753	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310754	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310755	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310756	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310757	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310758	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310759	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310760	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310761	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00
6827	TH	310762	TH	SOLVAY	JP	Yes	2702	Y			6846	134		Customer	No	No	Yes	Data Takeover: 00-00-00

File name:	MD Report control	Save
Save as type:	EXCEL Files (*.xls)	Cancel

Finally, add this excel file to the email with the remaining controls.

Example of the file:

[MD Report control.xls](#)

3.4 Records of doubtful receivables and losses based only on a supporting document communicated by CM

For bad debt customers, we should provide the request in which AR team received the request to post a customer into doubtful status only if requested by Audit company. In this case, we should search in BMC the request case and send it to the requester.

4. Reporting controls

The email should be send to the following addresses:

Service Owner Accounts Receivable	josecarlos.nunes@syensqo.com
Regional Team Leaders	nuno.mendes@syensqo.com ; caio.alves@syensqo.com and laddawan.wiboolworakul@syensqo.com
Accounts Receivable Mailbox	receivables@syensqo.com