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

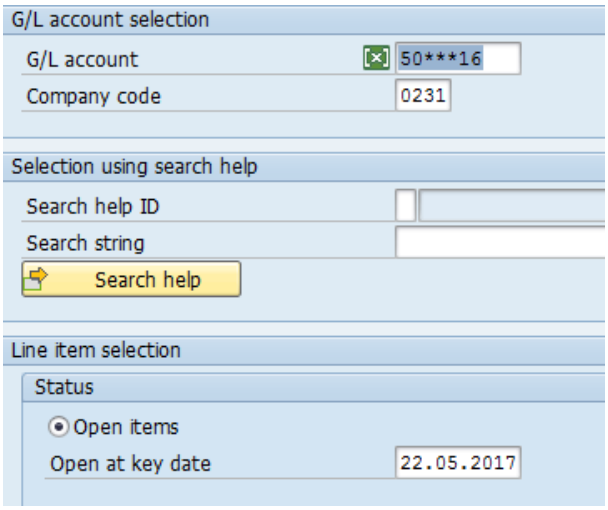
- GBS: In the current document, "Global Business Services" will be replaced by its abbreviation "GBS".
- AR: Accounts Receivable
- CM: Credit Management
- DT: Digital Technology

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:



Scope

APAC EMEA LAM NAM

ERP

PI1 PF1 WP1

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 PF1 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.

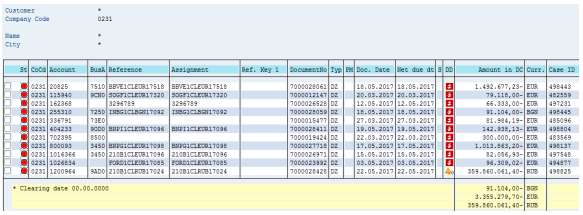
In PI1:

Open FBL5N transaction and chose the following variant:

UNMATCHED	Unmatched control

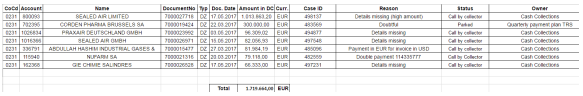
Execute

The following screen appears



PF1 and WP1

Example:



This extraction should also be done for customers not assigned to Solvay SA. Therefore, enter in FBL5N and choose the following the companies according to this file:

UNMATCHED	Unmatched control

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/1mWwpBwCAvBlLJdlDEIKTMNiBTv8wecWg3qZQOKCWHHs/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

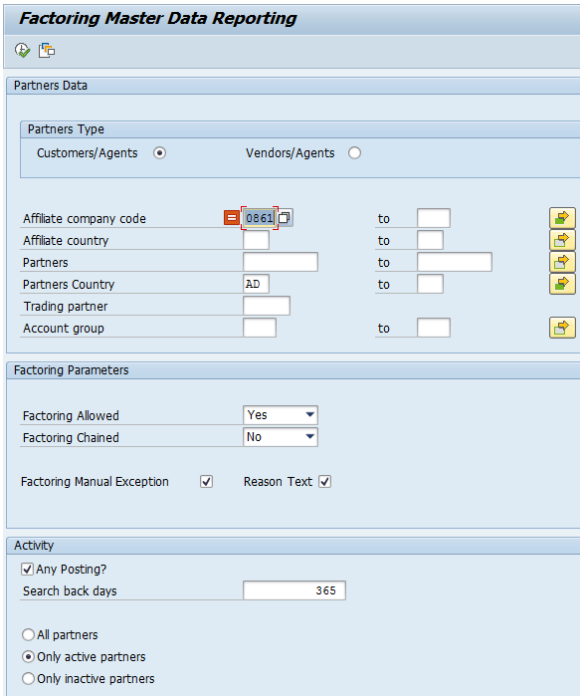
The principle is to have all customers/receivables from a company with convention with Solvay SA/Essential FA assigned to the Factoring company (Cc 0231/6440). Therefore, the objective of this control is to show evidence that customers not assigned have a valid reason in the "Long text" field for not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

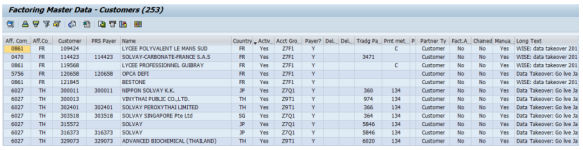
Open **Z3F_FA_MD_REPORT** transaction in local systems and choose the following variants in all systems:

Variant name	Short Description
APAC	Partner country - Asia Pacific
EMEA	Partner country - EMEA
NAFTA	Partner country - North Americ

Execute



The following result is showed:



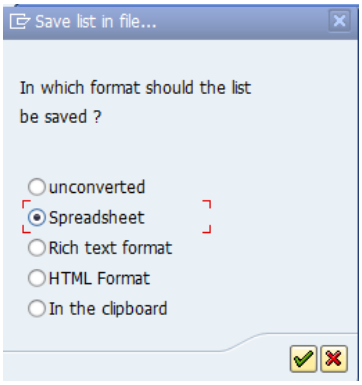
We can see a line per customer and in the "Long text" field it should be inserted the reason of not assignment to companies 0231/6440. The valid and justified main reasons are:

- 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:

Click on



Execute

Save the file in your desktop

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