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

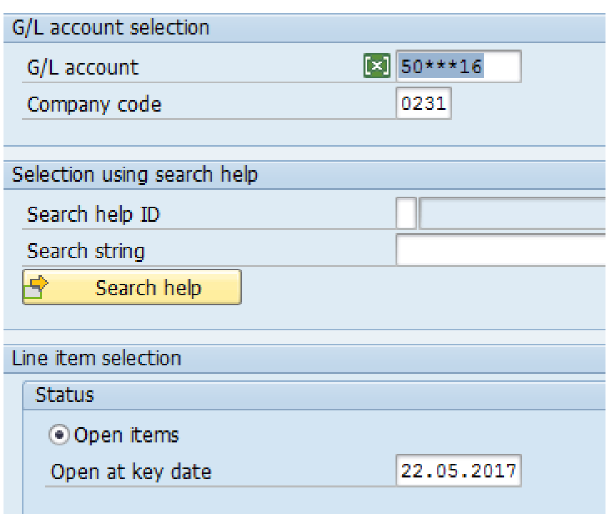
- GBS: In the current document, "Global Business Services" will be replaced by its abbreviation "GBS".
- AR: Accounts Receivable
- CM: Credit Management
- DT: Digital Technology

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

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

Customer *
Company Code 0231

Name *
City *

St	CoCd	Account	BusA	Reference	Assignment	Ref. Key 1	DocumentNo	Typ	PM	Doc. Date	Net due dt	S	DD	Amount in DC	Curr.	Case ID
	0231	20825	7510	BBVE1CLEUR17518	BBVE1CLEUR17518		7000028061	DZ		18.05.2017	18.05.2017			1.492.677,23-	EUR	498443
	0231	115940	9CN0	SOGF1CLEUR17320	SOGF1CLEUR17320		7000012147	DZ		20.03.2017	20.03.2017			79.118,00-	EUR	482559
	0231	162368		3296789	3296789		7000026528	DZ		12.05.2017	12.05.2017			66.333,00-	EUR	497231
	0231	255310	7250	INBG1CLBGN17092	INBG1CLBGN17092		7000028059	DZ		18.05.2017	18.05.2017			91.104,00-	BGN	498445
	0231	336791	73E0				7000015477	DZ		27.03.2017	27.03.2017			81.984,19-	EUR	485096
	0231	404233	90D0	BNPI1CLEUR17096	BNPI1CLEUR17096		7000028411	DZ		19.05.2017	19.05.2017			142.938,13-	EUR	498804
	0231	702395	8500				7000019424	DZ		22.03.2017	22.03.2017			300.000,00-	EUR	483569
	0231	800093	3450	BNPG1CLEUR17098	BNPG1CLEUR17098		7000027718	DZ		17.05.2017	17.05.2017			1.013.863,20-	EUR	498137
	0231	1016366	3450	210B1CLEUR17096	210B1CLEUR17096		7000026971	DZ		15.05.2017	15.05.2017			82.056,93-	EUR	497548
	0231	1026834		FORD1CLEUR17085	FORD1CLEUR17085		7000023992	DZ		03.05.2017	03.05.2017			96.309,02-	EUR	494877
	0231	1200964	9AD0	210B1CLRUB17024	210B1CLRUB17024		7000028428	DZ		22.05.2017	22.05.2017			359.860.061,40-	RUB	498825
* Clearing date 00.00.0000														91.104,00-	BGN	
														3.355.279,70-	EUR	
														359.860.061,40-	RUB	

Example:

CoCd	Account	Name	DocumentNo	Typ	Doc. Date	Amount in DC	Curr.	Case ID	Reason	Status	Owner
0231	800093	SEALED AIR LIMITED	7000027718	DZ	17.05.2017	1.013.863,20	EUR	498137	Details missing (high amount)	Call by collector	Cash Collections
0231	702395	CORDEN PHARMA BRUSSELS SA	7000019424	DZ	22.03.2017	300.000,00	EUR	483569	Doubtful	Parked	Quarterly payment plan TRS
0231	1026834	PRAXAIR DEUTSCHLAND GMBH	7000023992	DZ	03.05.2017	96.309,02	EUR	494877	Details missing	Call by collector	Cash Collections
0231	1016366	SEALED AIR GMBH	7000026971	DZ	15.05.2017	82.056,93	EUR	497548	Details missing	Call by collector	Cash Collections
0231	336791	ABDULLAH HASHIM INDUSTRIAL GASES &	7000015477	DZ	27.03.2017	81.984,19	EUR	485096	Payment in EUR for invoice in USD	Call by collector	Cash Collections
0231	115940	NUFARM SA	7000021316	DZ	20.03.2017	79.118,00	EUR	482559	Double payment 114335777	Call by Collector	Cash Collections
0231	162368	GIE CHIMIE SALINDRES	7000026528	DZ	17.05.2017	66.333,00	EUR	497231	Details missing	Call by collector	Cash Collections
					Total	1.719.664,00	EUR				

PF1 and WP1

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

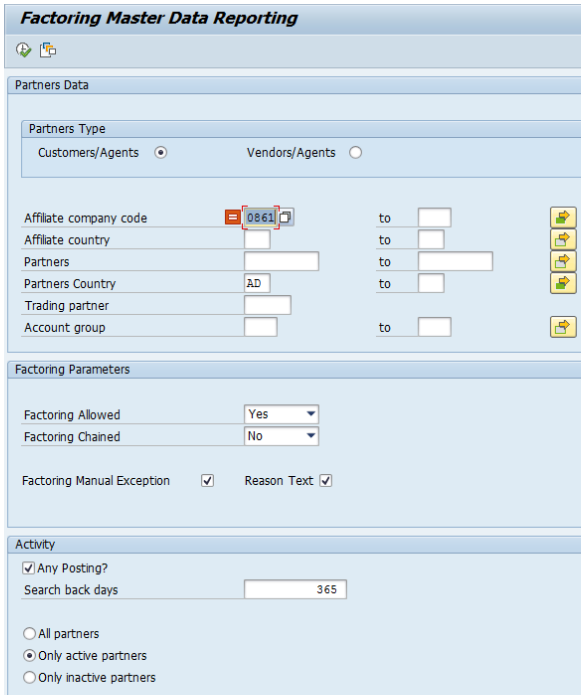
The principle is to have all customers/receivables from a company with convention with Solvay SA/Essential FA assigned to the Factoring company (Cc 0231/6440). Therefore, the objective of this control is to show evidence that customers not assigned have a valid reason in the "Long text" field for not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

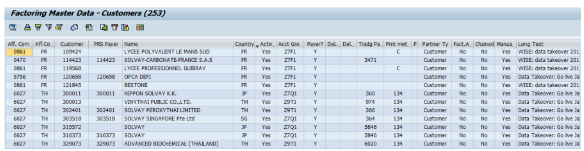
Open **Z3F_FA_MD_REPORT** transaction in local systems and choose the following variants in all systems:

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

Execute



The following result is showed:



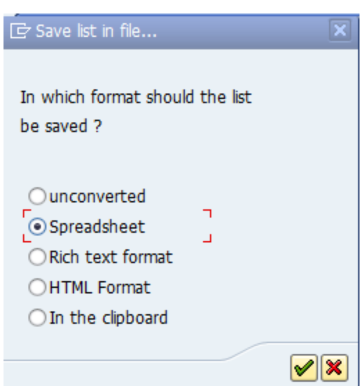
We can see a line per customer and in the "Long text" field it should be inserted the reason of not assignment to companies 0231/6440. The valid and justified main reasons are:

- 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