



KASAGANA-KA MUTUAL
BENEFIT ASSOCIATION, INC.

Audit Committee Meeting

23 Abril 2021, Biyernes | 2:00 – 3:00 pm | Zoom



INTERNAL AUDIT SERVICES



Audit Committee Meeting

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AGENDA:

- > IAS Report on 1st Qtr. 2021 KMBA IA Activities:
 - > Spot Audit on KMBA Petty Cash Funds
 - > Process Review on Finance (Cash Receipts & Disbursements)
- > Internal Audit Engagement for 2nd Qtr IA Activities
- > Presentation of KMBA Internal Audit Charter



INTERNAL AUDIT SERVICES



SPOT AUDIT ON KMBA'S PETTY CASH FUNDS

- > According to KMBA's Accounting Manual, *"Occasionally, the association's Internal Auditor conducts spot check of the PCF. Any discrepancy should be investigated immediately and properly resolved."*
- > Audit Objective:
 - To determine if the KMBA PCFs are intact and utilized according to their purpose and properly accounted for.
 - To ensure that the internal controls are in placed.
- > Audit Procedure:
 - Actual Cash Count and inspection of documents related to PCF.





SPOT AUDIT ON KMBA'S PETTY CASH FUNDS

Petty Cash Fund	Purpose based on KMBA's Accounting Manual
1. General Funds	The fund should be used only for minor disbursements to cover KMBA's daily operating expenses and advances (subject to liquidation) that are impractical to pay by check. The maximum limit for any single disbursement that can be made from the fund is Php 1, 000.00. Expenses in excess of such limit should be paid for by check.
2. Building	
3. BLIP Claims Fund	An amount set aside by KMBA to pay associate members (particularly KDCI, KCOOP and KMBA staff, and NGO partners) in case of retirement savings fund withdrawal, plus the accrued interest income based from the current market rate per annum, and 50% equity value withdrawal, when they are terminated
4. HIIP Claims Fund	An amount set aside by KMBA to pay Health Insurance reimbursement of equal or less than one thousand pesos (P1,000.00)



SPOT AUDIT ON KMBA'S PETTY CASH FUNDS



Audit Date: January 7, 2021

KMBA's PCF Custodian: Analyln Shih

Audit Result on Actual Cash Count:

Petty Cash Fund	Authorized Amount	FS Record (as of Jan. 31, 2021)	Overage/ (Shortage)
1. General Funds	P10,000.00	P10,000.00 (PCF- General Fund)	P962.10 - P900.00 payment for insurance of Sikap Buhay member - P62.00 advanced by custodian (out of pocket)
2. Building	P10,000.00	P10,000.00 (PCF- Building)	
3. BLIP Claims Fund	P2,000.00	P2,000.00 (COH Claims Fund)	P0.00 (Tally)
4. HIIP Claims Fund	P10,000.00	P10,000.00 (PCF- HIIP)	(P4,000.00) - Used for payment of Brgy. Business Permit
Total	P32,000.00	P32,000.00	





SPOT AUDIT ON KMBA'S PETTY CASH FUNDS

Audit Date: January 7, 2021

KMBA's PCF Custodian: Analyln Shih

Audit Findings	Audit Recommendation
1. HIIP Claims Fund was used for other purpose (as payment for Brgy. Clearance)	<ul style="list-style-type: none">✓ Ensure prompt replenishments of PCF expenses/ reimbursements by the custodian in order to have a sufficient fund.✓ As stated on the KMBA's Acctg. Manual, <i>the PCF should serve only the purpose for which it was set up</i>. Hence, it should be properly observed.
2. Overage of PCF for General funds and Building amounting to P962.10	<ul style="list-style-type: none">✓ Separate other cash from PCF (eg Sikap Buhay member payment)✓ Avoid any advances by the custodian to Petty expenses.
3. Sole custodian for all KMBA's PCFs	<ul style="list-style-type: none">✓ Account Officers may handle other funds as custodian.





SPOT AUDIT ON KMBA'S PETTY CASH FUNDS

Audit Date: January 7, 2021

KMBA's PCF Custodian: Analyn Shih

Audit Findings

3. Good Practices that must be maintained:

- a. All PCF Accounts were properly recorded/ reflected on Fin. Statement.
- b. Regular cash count by Fin. Manager
- c. Regular monitoring of fund balances thru logbook
- d. Separate pouch used for each of the funds.
- e. Funds were properly safekeep inside the vault.
- f. All replenishments were properly documented.
- g. All funds were intact with minimal discrepancies*.

* Discrepancies were reported to the KMBA management and properly resolved.





PROCESS REVIEW ON KMBA's FINANCE

- > The purpose of this report is to record observations from the Immersion Program at KMBA's Finance and to apply questions or inquiries from KMBA regarding areas on Cash Receipts and Cash disbursements. From this, IAS will provide more appropriate recommendations regarding the KMBA's internal control system particularly on the areas specified.





PROCESS REVIEW ON KMBA'S FINANCE

Observation Area: Cash Disbursements

Observations	Observation/ Control Points	Management Response	Management Action
<p>1. Double File on Claims</p> <ul style="list-style-type: none">- E-copy sent thru messenger/ email. Based on observations claims requirements were sent thru messenger/email by members to AO which will be uploaded to KOINS and printed as file attachment.- Submission of Original copy to SatO. Based on the policy on online claims states that <i>"Pansamantala ay lilikumin sa SatO ang mga original na hard copy ng mga dokumento at kukunin ng mga AO pag nagkaroon ng pagkakataon na makapunta sa SatO"</i>.	<ul style="list-style-type: none">✓ Additional expense on printing of documents for file attachments if original copy of docs are required as stated on policy on online claims.✓ Prone for double/ multiple claims.	<ul style="list-style-type: none">✓ Due to pandemic and to lessen COVID exposures, AOs were refrained from going to SatOs.✓ Delay of collection of claims requirement may cause delay/ backlog on Filing.✓ Claims documents submitted to SatOs were not original copy.	<ul style="list-style-type: none">✓ Instead of collecting claims documents from SatOs, E-copy submission will be implemented with appropriate verification process to be observed.✓ The KOINS system has developed a notification feature and filtering system for duplicate transactions on claims. Hence, all processed claims must be encoded to KOINS claims register.





PROCESS REVIEW ON KMA's FINANCE

Observation Area: Cash Disbursements

Observations	Observation/ Control Points	Management Response	Management Action
<p>2. Inconsistent Attachment on disbursements on allowances (Trustees/ Coordinators)</p> <ul style="list-style-type: none">- Aside from claims and benefits, allowances of Trustees and Coordinators were also disbursed online.- The payee were required to submit their personal Gcash or bank account.	<ul style="list-style-type: none">✓ Are all officers have designated accounts (Gcash or bank account)?✓ Is there a Masterfile and monitoring tool for allowances?	<ul style="list-style-type: none">✓ Submitted requests for payment have attached GCASH or bank account, and they are already recorded in Kasagana-ka's Union Bank account as regular beneficiaries.✓ For one time payment claims, screenshot of Gcash/ Bank account must be attached for further verification.	<ul style="list-style-type: none">✓ All online disbursements were sent only to authorized beneficiary thru their own accounts (Gcash or bank accounts)✓ Finance will maintain a Masterfile of Gcash or bank account of members thru Union bank system. This will also serve as monitoring tool of their allowances.





PROCESS REVIEW ON KMBA'S FINANCE

Observation Area: Cash Disbursements

Observations	Observation/ Control Points	Management Response and Action Management Action
<p>3. Acknowledgement Receipt/ Claims Slip from beneficiaries</p> <ul style="list-style-type: none">- In the first version on online claims disbursement thru remittance centers, beneficiaries were asked to submit Acknowledgement receipt as proof of their acceptance of claims.- This was not observed for online claims disbursement using bank transfer.	<ul style="list-style-type: none">✓ To countercheck the online disbursements made by Finance.✓ Is there a file/ report maintained by AOs regarding confirmations from beneficiaries in their acceptance of claims?	<ul style="list-style-type: none">✓ All online disbursements were sent only to authorized beneficiary thru their own accounts (Gcash or bank accounts)✓ Transfer confirmation with reference # of online disbursements will be included by the finance on each transactions.✓ AOs confirm the acceptance of claims from the beneficiaries thru sending confirmation transfer to SatO and respective KMBA coordinators.



PROCESS REVIEW ON KMBA's FINANCE

Observation Area: Cash Disbursements

Observations	Observation/ Control Points	Management Response	Management Action
<p>3. Inappropriate recording/ posting practice of transactions</p> <ul style="list-style-type: none">- It is stated in the KMBA Accounting Manual that posting will be done if the AO has already returned the Check Voucher and encoded by the Accounting Officer in the book/system. During the immersion, as per observation, claims were posted in KOINS before they're disbursed to the beneficiary. Because there were no checks released, the CD Entry Voucher generated when the entry is posted is considered as its replacement.	<ul style="list-style-type: none">✓ The practice does not reflect a good and sound control because of its failure to match the transaction and the reporting.✓ Claims were reported as released even though not yet disbursed.✓ Are the claims posted on disbursement book or claims register given to the beneficiary?	<ul style="list-style-type: none">✓ Claims were posted prior to disbursement during the first implementation of online claims disbursements to meet KMBA's policy of 24 hours claim settlement.✓ adjustment to the newly adapted system/ process.	<ul style="list-style-type: none">✓ Finance already apply the appropriate recording practice (posting after disbursements).





PROCESS REVIEW ON KMBA'S FINANCE

Observation Area: Cash Receipts

Observations	Observation/ Control Points	Management Response	Management Action
1. Issuing receipts (Cash Receipt) and recording are performed by same staff.	<ul style="list-style-type: none">✓ It does not reflect a good control due to the presence of risk that receipts are not recorded completely.✓ It also needs to consider the division or separation of assignments.	<ul style="list-style-type: none">✓ Finance staffs performed dual functions due to limited # of staff.	<ul style="list-style-type: none">✓ Added controls:<ul style="list-style-type: none">- Bank Reconciliation- Avoids receiving of cash- Collections from partners are in check form which are directly deposited to KMBA's bank account.- Associate members payments are thru online transfer to KMBA bank account.- ORs must be recorded completely and sequentially except for cancelled.

INTERNAL AUDIT ENGAGEMENT FOR 2ND QTR. IA ACTIVITIES

- > Process Reviews:
 - Audit of Transactions on Investment
 - Payroll Management
- > Oversee Election Process and Validate Results





PRESENTATION OF KMBA'S INTERNAL AUDIT CHARTER



MARAMING SALAMAT PO!



INTERNAL AUDIT SERVICES