

**Yellow Ribbon Fund**

**Management Letter  
Financial Year Ended 31 December 2018**

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**YELLOW RIBBON FUND  
MANAGEMENT LETTER  
FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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**STRICTLY PRIVATE AND CONFIDENTIAL**

Date:

**Yellow Ribbon Fund**  
407 Upper Changi Road North  
Singapore 507658

**Attention of**  
**The Executive Committees of YRF**

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Sir/Madam:

In planning and performing our audit of the financial statements of Yellow Ribbon Fund (the "Fund") for the year ended 31 December 2018, we considered the Fund's accounting and internal control structures to determine our auditing procedures for reporting on the financial statements.

While our purpose was not to determine the adequacy of internal controls for management purposes or to provide assurance on the Corporation's accounting and internal control structures, we noted certain matters involving these structures and other aspects of operations that we present in the attached report for your consideration.

Our comments and recommendations are offered as constructive suggestions in support of management's continuing desire to improve internal controls and other financial and administrative practices and procedures.

We wish to emphasise that the maintenance of an adequate control structure designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, controls found to be functioning now may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the Fund.

Our audit of the Fund's financial statements, including our consideration of its accounting and internal control structures, would not necessarily disclose all significant deficiencies in these structures, because we employed, as is customary, only tests of selected accounting records and related data.



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(continued)

This report is provided solely for the information of the Fund's management, and should not be used for any other purpose.

Please let us know of any questions you may have on our report.

We appreciate very much the assistance and cooperation extended to us by the Fund's officers and staff during our examination.



**KONG, LIM & PARTNERS LLP**  
Public Accountants and  
Chartered Accountants

Singapore, 13 MAY 2019

**Audit Observation 1: Improper classification of income and expenses related to restricted funds**

We noted that the income and expenses related to the restricted fund are not properly maintained wherein there were frequent reclassifications of donations and expenses from general fund to restricted fund. Instances are as follows:

1. Donation received from Singapore Totalisator Board during Law Society Criminal Bar Gala Dinner for specific purpose was wrongly recorded in the Care and Share grant. Multiple reclassifications have to be made to record the donation under the correct account based on further information from Secretariat team;
2. Expenses incurred amounting to S\$37,892 were wrongly debited to the programme Temasek Cares instead of Yellow Brick Road as highlighted by Finance.

In addition, there was a reclassification made to the comparative figures in our current audit as the expenses related to the Care and Share Grant in 2017 was wrongly reported under General Fund. The issue was only noted during the submission of claim by the Secretariat in May 2018.

<b>Root cause:</b>	<b>Risk category:</b> Medium
1. No indication on the payment voucher to identify expenses related to which fund (unrestricted or restricted);	
2. Lack of clear communication between Secretariat team and Finance team;	

**Recommendation:**

As the Fund is a Charity, it is importance to have proper recording to ensure the fund spending is consistent with the objectives. This will increase the level of transparency and accountability to the donating public.

It is recommended that a specific account code should be given to each Funding so that Finance can properly keep track and record its related income and expense. The project code should be indicated correctly on the payment voucher to ensure that the expenses related to the Fund are properly captured. This will also ease the communication between the Finance and Secretariat team.

Moreover, the payment voucher should be stamped with the posting date to ensure all expenses have been recorded.

The policies to be adopted should be included in the Standard Operating Procedure ("SOP") and shall be properly disseminated to all staff concerned to avoid inconsistency in maintaining the records.

<b>Management Comments:</b>	<b>Target Implementation Date:</b>
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The cheque/cash collection form had been revised to indicate the categories of the donation to ease the communication. The form will also be endorsed by AD (Community Relations) before sending to Finance.

All payments will need to be attached with a cover sheet indicating the fund source and accounts code.

May 19

**Audit Observation 2: Deficiencies in handling cheque donations**

As per the Standard Operating Procedure ("SOP") Fundraising and Donations Collection Process, cheque and supporting document should be handed over to Finance within 3 days from the official receipt date. However, during our testing, we noted that cheque and supporting documents was not handed over to Finance promptly. Details are as follows:

Cheque	Amount	Official receipt date*	Acknowledgement date by Finance	Duration of days (working days)
OCBC 000526	S\$250,000.00	01-02-2018	07-02-2018	4 days

\* Official receipt will be issued once the cheque is received.

**Root cause: People related** – Oversight by the Secretary Team

**Risk category:**  
Low

**Recommendation:**

According to para 3.5 of Standard Operating Procedure (SOP) Fundraising and Donations Collection Process, Executive Officer (EO) should attach the Preposting DDL together with the cheque and supporting documents to hand over to Finance within 3 working days from the receipt the cheque donation.

Kindly comply.

**Management Comments:**

**Target Implementation Date:**

YRF received the cheque on 1 Feb 2018. However, it was handed to Finance on 7 Feb 2018 as there were no UEN details on the cheque. As such, Secretariat was not able to complete keying in the records in CHARMS.

Q2 2019

Secretariat contacted the organisation however did not received a reply from them. Secretariat had to google the UEN details of the donor before we could process the cheque. As a result, Finance received the cheque late.

The SOP will be updated to 5 working days instead to cater for longer processing time for donations without their UEN details.

**Audit Observation 3: Manual accounting records**

We noted that the accounting records are maintained manually in an excel worksheet which may lead to: -

1. Higher human error in recording;
2. Lower control on the user accessible right as they are allowed to alter the financial figures without proper approval;
3. Insufficient audit trails

These are evident by the issues noted under Observation 1.

<b>Root cause:</b> Lack of the use of accounting software	<b>Risk category:</b> Medium
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**Recommendation:**

It is highly recommended that the Fund, as a Charity which receives public money will consider using an accounting software in recording the accounting data so as to mitigate any possible errors leading to erroneous data and reports.

The advantages of using an accounting software over Excel will:

- help to save time by excluding the need of manual calculations and record-keeping.
- help to improve efficiency as it will help to generate report in a short time.
- improve the data accuracy and minimise the human error by such as posting it into the correct account code and minimise the mathematical error.
- improve the internal control of the Fund as the manipulation of accounting record will be monitored by accounting software.

<b>Management Comments:</b>	<b>Target Implementation Date:</b>
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YRF Finance will review and assess the software suitable for implementation by Sept 19 and present the proposal to Audit Comm.

Sept 19