



Financial Control And Reconciliation Challenges In A Multi-Site Pet Recycling Company: A Case Study Of Extrupet Pty Ltd.

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Abstract:

The recycling industry involves manufacturing, purchasing, inventory, logistics, sales, and financial administration within the same environment. If these activities take place in different locations, reconciling their financial records becomes difficult due to different departments and accompanying documentation. This paper includes a case study on financial control and reconciliation issues encountered during a finance and accounting internship at Extrupet Pty Ltd., a South African company that recycles and processes PET. The case particularly focuses on supplier ageing reconciliation, inter-site transactions, purchase-order controls, inventory movements, sales documentation, and accounting-system interruptions. It was developed based on the observations of an intern, including the practical tasks that she executed during the internship, and the available company records and information necessary to comprehend the context of the case study. Hence, the figures and data concerning monetary values, transactions, and other numerical information were excluded. The case study reveals that differences in reconciliation often originate from interactions between finance, purchasing, inventory, production, logistics, and other operations, and not from individual account entries. Therefore, the case emphasizes the importance of reconciliation, documentation, and responsibility at different locations, as well as transaction matching and system controls. Finally, the study concludes with recommendations that can help improve the control procedures without adding significant complexity to the operations in the organisation.

Keywords: Financial Controls, Supplier Reconciliation, PET Recycling, Internal Control, Inventory Management, Multi-Site Operations, Accounting Systems

1. Introduction

The recycling industry has grown into something truly circular in that it transforms end-of-life materials that would make a waste stream into new resources for productive use. PET, or polyethylene terephthalate, is a specific type of plastic that is used extensively in beverage bottles, food packaging, and a variety of other uses. The process involves a number of steps, such as collection, sorting, washing, processing, quality control, storage, and distribution, all of which are part of the financial statements of a recycling company.

South Africa has a well-established collection and recycling system for PET that is facilitated by producer responsibility programs. PETCO indicated that its PET beverage bottle program in 2023 had a 64% collection rate and 60% recycling rate against the legislated recycling threshold of 58%. PETCO's 2023 program also helped support collection infrastructure and livelihoods nationwide. In short, the value chain in which a recycling company operates can be very broad indeed.

As much as the environmental impact of a recycling venture is of interest to all stakeholders, financial control is equally critical to the operation. In general, processing the materials that would make waste into new products is one matter, but ensuring that the invoices, purchase orders, stock transfers, payments, and on-site transactions are all

correctly recorded is another and no less important. The issue becomes more complicated when a company operates from more than one location. One may record a transaction that is physically made at one site, but it may be invoiced and paid against at another location, leading to recording differences.

The current case study derives from a finance and accounting internship with Extrupet Pty Ltd, during which the writer was exposed to a variety of functions, including finance, sales, procurement, production, logistics, stores, and quality control. In general, the experience served to highlight the fact that financial control extends beyond the confines of the finance department and is a function that involves all departments in the accuracy and scope of financial reporting.

By virtue of the foregoing, the aim of the current paper is to evaluate the issues pertaining to financial control and reconciliation that a multi-site PET recycling company may face. Specific issues examined include supplier ageing reconciliation, inter-site transactions, procurement control, stock and sales documentation, and accounting system continuity. The paper makes no attempt to reveal any financial details of the company in question, as it concentrates on the examination of the issues and the search for solutions.

Industry And Company Context

1. PET Recycling Industry

PET recycling involves converting used or collected PET materials into usable recycled material. Processing may include collection, sorting, cleaning, washing, drying, extrusion and further processing depending on the intended use. Each of these activities generates operational records which, ultimately, have an impact on the financial records of the entity.

The industry is heavily reliant on the coordination between players. Materials may flow from collectors to recyclers and then to processors, manufacturers or customers. Further, the physical movement of the material may involve transport companies, warehouses and various production facilities. This makes traceability a significant operational and financial factor.

South Africa's extended producer responsibility framework has elevated the value of organised collection and recycling systems. PETCO's reported performance shows the scale of the established PET value chain and the involvement of producers, recyclers, collection businesses and waste-picking communities. Increasing integration of the recycling value chain means that companies must simultaneously address environmental, operational and financial requirements.

The challenge for finance in recycling also presents industry-specific aspects. Inventory may exist in various forms and stages of processing, and materials may vary in terms of colour, grade, quality or processing stage. A discrepancy in physical identification, therefore, has the potential to become a discrepancy in the accounting records. Similarly, an incorrect site allocation or incomplete supporting document may have an impact on reconciliation even if the physical transaction has taken place.

2. Company Context

Extrupet Pty Ltd. operates in the recycling and processing of plastic materials, predominantly PET. The organization's operations involve movement and processing of recyclable materials through various stages prior to supplying the resulting products to customers. Its activities therefore link production, inventory, logistics, sales, quality management and finance.

During the course of the internship, exposure was obtained to different operational locations and functions. This exposure was particularly valuable in understanding that transactions recorded by the finance function originate from activities that take place elsewhere in the organization. A purchase invoice, for example, links to procurement and receipt of goods, while a sales invoice links to a customer order, availability of stock, dispatch and delivery.

The company also operates in a multi-site environment. This setup requires further considerations to ensure that the location with which a transaction is associated is correctly identified. When transactions are transferred between sites or involve more than one entity or location, the finance team needs to ensure that they can trace the movement using the relevant records.

The internship consequently allowed an opportunity to look at financial controls from a practical perspective rather than just an accounting theory perspective. The case illustrates that reconciliation is not simply about making two

numbers agree. It is an investigation as to why differences occurred and if the underlying business process is working correctly.

2. Case Study Methodology

This study is based on a qualitative case-study approach using practical learning experiences from the author's finance and accounting internship at Extrupet Pty Ltd. The internship was obtained during the period June to August 2026 and entails the author performing day-to-day accounting functions as well as reconciliations and documentation-related responsibilities.

The evidence for the case consists of observations from the internship on supplier ageing reconciliations, stock reconciliations, invoice verifications, purchase order processing, payments matching and related accounting activities. The interaction of the finance department with other departments such as procurement, sales, production, stores and logistics has also been considered.

The supplier ageing workbook containing issue classifications was used as supporting information to understand the nature of differences during reconciliation. It is important to note that the workbook was not used to reveal values for any particular item. Rather, the information was considered qualitatively to establish typical categories of issues that require further investigation.

The research also takes into account publicly available information pertaining to the South African PET recycling industry. PETCO's information was used to establish industry context whereas observations on individual companies were based on the internship material and internal information available to the author during the internship.

Due to the status of the organisation as a private entity and the sensitivity of internal accounting matters, confidentiality has been carefully considered. As such, no supplier names, customer names, transaction values, account balances or other monetary information will be revealed. The analysis is therefore focused on processes, control considerations, categories of reconciliation issues and possible improvements.

Financial Control Challenges Identified

1. Supplier Ageing Reconciliation

Supplier ageing reconciliation was one of the most significant areas of practical exposure during the internship. The reconciliation involved a significant number of supplier accounts which were examined to determine the individual causes for differences, as opposed to simply being carried forward as unexplained balances.

The reconciliation process highlighted the fact that unusual supplier balance did not always have an immediately obvious cause. Differences could be attributable to inter-site transactions, historical journal entries, advance payments, batch payments, purchase-related adjustments and differences between invoices and payments. As such the reconciliation of the supplier statement was not always sufficient to explain differences.

The reconciliation process required the tracing of transactions to their supporting information. In some cases, the explanation for the transaction could be found by examining the invoice records, payment information or journal entries. In other cases, it was necessary to communicate with employees responsible for the transaction in order to ascertain what had occurred.

The experience highlighted an important principle in relation to financial control, in that the process of reconciliation should be an investigative one. The aim is not simply to eliminate a difference from a report, but to determine whether the difference represents a timing difference, an accounting entry, an error in operations or a control weakness.

Table 1: Major Categories of Supplier Reconciliation Issues

Issue category	Nature of the issue	Control implication
Inter-site transactions	Transactions associated with different locations required investigation	Regular inter-site reconciliation
Historical entries	Older accounting entries affected current balances	Periodic review of aged items

Advance payments	Payments could exist before the related invoice was fully matched	Separate tracking of advances
Batch payments	One payment could relate to multiple transactions	Strong payment-to-invoice matching
Invoice/payment differences	Recorded invoices and payments did not always align immediately	Timely reconciliation
Journal entries	Adjustments required additional investigation	Controlled journal-entry review
Purchase-related adjustments	Returns or corrections could affect supplier balances	Better supporting documentation

2. Inter-Site Transactions

The multi-site structure of the organisation creates an additional layer of complexity. When a transaction involves different locations, the accounting records must properly identify where the transaction was initiated, where the material went or was processed and which entity or location was responsible for the entry in the accounts.

Inter-site transactions were identified during the internship as one of the causes of irregularities in supplier balances. This example demonstrates how movement of materials between locations creates an accounting issue if the related records are not kept in sync.

The issue is particularly relevant for a recycling business because physical materials often move from one stage to another and from one location to another. Finance personnel need an operational perspective in such cases, and not just the accounting-system record.

A possible solution would be to establish a formal monthly reconciliation between locations. Assign responsibility for differences to individuals, investigate and close the differences in a given timeframe only after reviewing the supporting documents.

3. Purchase-Order Control

Another control problem discovered during the internship is connected to purchase orders and an approval threshold. As such, there is a scenario where invoices related to the same requirement could potentially be separated into different transactions. This way, there is a possibility to reach around the approval threshold, although each of the invoices would fall below it.

The importance of this case is that internal controls should be designed to focus on the nature of the transaction, and not just individual invoices. A system which reviews each invoice on its own might fail to notice that several of them combine into one overall requirement.

Therefore, a more efficient control would involve using both purchase order approvals and spending analysis. Similar suppliers, dates, descriptions, projects or recurring requirements should at least be investigated if there are several transactions which seem to combine into one.

It is important to note that this does not necessarily apply to any group of invoices. Instead, the example serves to highlight the importance of designing approval systems in a way which prevents manipulation, whilst allowing legitimate purchases to be processed smoothly.

4. Inventory and Stock Controls

Inventory reconciliation provided another vital link between operational activity and financial information. Recycled materials can vary in type, colour, grade and stage of processing. Wrongly labelled, allocated to the wrong site or double counted, the resulting accounting records may not reflect the true physical inventory.

During the internship stock reconciliation involved correlating system information with operational and physical information. Certain stock movements required investigation because the site recorded in the system did not necessarily accord with the physical movement of material.

The problem highlights why inventory control in a recycling business cannot be regarded purely as a responsibility of the accounts department. Stores, production, logistics and finance all contribute to the final inventory record.

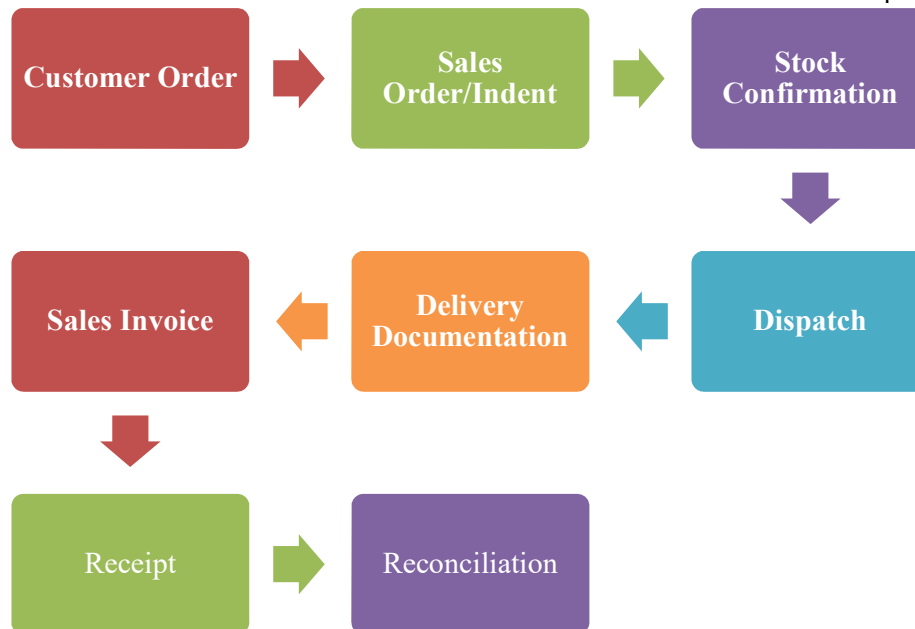
A useful control mechanism would be a site wise stock movement register backed up by regular reconciliation of opening stock, receipts, transfers, production movements and dispatches. Exceptions could then be investigated before the closure of an accounting period.

5. Sales Documentation

Sales documentation was another area in which operational and financial controls were closely linked. On my internship instances were observed where invoices needed checking against underlying sales documentation. The connection between sales orders, invoices, delivery information and inventory records therefore emerged as an important control issue.

A sales invoice should be clearly linked to an authorised customer requirement and the associated movement of goods. A poor link means that the organization may have difficulties in establishing whether a transaction was properly authorised and fulfilled.

The case therefore underlines the need for a structured sales-to-cash control sequence:



Maintaining this sequence improves traceability and makes it easier to investigate exceptions.

6. Accounting-System Interruptions

Accounting-system availability also became an issue of control. At times during the internship, the availability of the Sage accounting system was impacted and interrupted the normal processing of accounting activities. There were occasions when system availability hindered access to records and forced the use of alternative methods of maintaining documentation.

System dependence presents a control problem as accounting processes can continue despite the unavailability of the primary system. Without a controlled contingency process, transactions may be delayed, repeated or incorrectly entered when the system is available.

A business-continuity procedure should define what employees are expected to do if the accounting system becomes unavailable. Temporary documentation should be controlled, numbered and reconciled with the accounting system once operations return to normal.

3. Analysis And Discussion

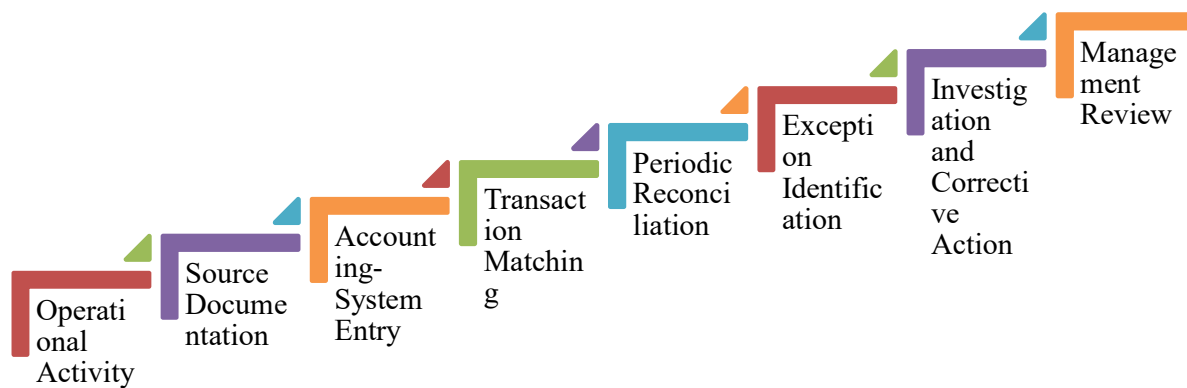
The case indicates that the financial control issues identified in Extrupet cannot be regarded as pure accounting issues. They are closely linked to the company's operational structure.

The supplier ageing reconciliation is the most obvious illustration. A discrepancy on a supplier account could originate from activities in procurement, processing payments, inter-site transfers, a historical journal entry or the timing of invoice recognition. The finance team needs to investigate the entire history of the transaction rather than simply correcting the final balance.

A similar link exists between inventory and finance. A stock discrepancy may originate from the physical movement of material, incorrect allocation of material to a site, incomplete documentation or an accounting entry. This means that financial control is partly dependent upon the quality of operational controls.

Finally, the case illustrates the importance of preventive controls. Reconciliation is primarily a detective activity as it detects difference after a transaction has been recorded. Purchase-order approvals, mandatory documentation in sales, site-specific transaction controls and system validations can prevent some errors before the stage of reconciliation.

Figure 1: Proposed Financial Control Framework



The framework demonstrates that effective financial control is an ongoing cycle rather than a monthly exercise.

A further key insight is the importance of communications. During the supplier reconciliation process, it was sometimes necessary to talk with employees involved in procurement, payments or other activities in order to understand why a difference arose, rather than relying solely on accountancy information.

This highlights the need for finance professionals working in operational businesses to have a broad understanding as well as accountancy expertise. An awareness of how material flows around a recycling plant, for example, can help to explain the existence of a particular accounting entry.

Recommended Control Improvements

Based on the case analysis, several practical improvements can be considered.

1. Monthly Inter-Site Reconciliation

Inter-site balances should be reconciled regularly and not allowed to accumulate differences over several accounting periods. Each difference should be assigned to a responsible person and given a resolution status.

2. Supplier Exception Reporting

As an alternative to reviewing all supplier accounts with equal intensity, the finance team could apply an exception-based approach. Accounts with unusual balances, old unresolved items, frequent adjustments or unexplained differences could be prioritised.

3. Strengthened Purchase-Order Controls

The procurement process should take into account the overall nature of related purchases, rather than examining each invoice in isolation. If several transactions seem to be linked, the system or responsible approver should be able to review the underlying requirement.

4. Integrated Inventory and Site Controls

Every material transfer should have a clearly identifiable source site, destination site and supporting document. A regular reconciliation of physical with system records would identify incorrectly allocated sites or duplicates at an earlier stage.

5. Mandatory Sales Documentation

A clear link should be maintained between the customer requirement, sales order, dispatch and invoice. Exceptions should require documented approval rather than being accepted as part of the normal process.

6. Accounting-System Contingency Procedures

The organisation should have a documented procedure for system downtime. Temporary records should be controlled and subsequently matched against the accounting system to ensure that no transactions are omitted or duplicated.

Table 2: Recommended Control Measures

Control challenge	Recommended measure	Expected benefit
Supplier reconciliation differences	Monthly supplier reconciliation and exception reporting	Faster identification of unresolved items
Inter-site differences	Formal site-to-site reconciliation	Better transaction allocation
PO threshold risk	Review related transactions collectively	Stronger approval controls
Stock discrepancies	Site-wise stock movement reconciliation	Better inventory accuracy
Sales documentation gaps	Mandatory order-to-invoice matching	Improved sales traceability
System interruptions	Controlled backup and downtime procedure	Reduced risk of lost or duplicated entries
Unresolved adjustments	Assigned ownership and ageing of exceptions	Greater accountability

Managerial And Practical Implications

The case has wider implications than just for the finance department. In a multi-site recycling company, the accuracy of financial records requires the cooperation of several departments. Procurement prepares initial purchase documents, stores confirm receipt, production tracks materials use, logistics manage movements, sales prepare customer documentation and finance records transactions.

Therefore, internal control must be viewed as a shared responsibility. Even employees not directly involved in finance can affect the accuracy of financial records by preparing appropriate documents and providing information in a timely manner.

The case also shows how important it is to design effective controls that do not impede the flow of activities. Too many approval steps slow down the process, and too few steps make reconciliation difficult. It is necessary to prioritize control points that are more prone to errors or informal practices.

For finance professionals, the case shows that their work goes beyond mere bookkeeping. Even though finance managers deal with recording numerous transactions, their work involves reconciling these entries. This process requires awareness and investigation of the entire transaction trail, which cuts across different departments and activities. As seen from the internship, finding a difference in numbers is only part of the process – it is essential to investigate its root causes and provide relevant conclusions to management.

The findings of the case may be applicable to other companies in the recycling industry as well as manufacturing companies with multiple production sites. While the specifics of each company's operations may differ, the principles of control are likely to be similar in any business that generates volumes of financial data.

Limitations Of The Case Study

The study suffers from several limitations. Firstly, it is based on the author's experience during a limited internship period and therefore does not reflect a complete assessment of the organisation's financial-control environment.

Secondly, it is heavily reliant on qualitative observations and practical work experiences. No formal quantitative control-effectiveness evaluations were available for the purpose of this study.

Third, the organisation's confidential information has been deliberately omitted. In particular, the paper does not disclose supplier balances, values of transactions, payment amounts, customer information or other sensitive financial data. This limits the ability to illustrate the case using quantitative financial analysis.

Finally, some observations relate to areas that required investigation during the internship period rather than confirmed instances of misconduct. As a result, the purpose of the study is to highlight control risks and improvement opportunities rather than to determine responsibilities or make allegations against individual employees.

4. Conclusion

This case study considered financial control and reconciliation issues within a multi-site PET recycling company based on practical observations made during an internship with Extrupet Pty Ltd. The case focused on supplier ageing reconciliation, inter-site transactions, purchase order controls, inventory movement, sales documentation and accounting system continuity.

The principal learning outcome from this case was an understanding of the ways in which financial discrepancies can arise from the interactions between operational and accounting processes. A supplier balance, stock difference or invoice discrepancy may seem like an accounting issue, but investigation may be required across procurement, logistics, production, stores or another operational activity to fully understand the cause.

In particular, the supplier ageing review highlighted the need to investigate the source of discrepancies, as inter-site transactions, prior entries, advance payments, batch payments and invoice-payment differences have the potential to complicate reconciliation activities and obscure the root cause.

The case also provided insights into the ways in which preventive and detective controls can be applied in practice. Purchase order authorisations, supporting documentation and site-level controls can minimise the risks of errors, while supplier ageing, stock reconciliation and management reviews can detect errors that have entered the accounting system.

For a multi-site recycling organisation, effective financial control therefore extends beyond ensuring the accuracy of day-to-day accounting entries. Instead, it requires a focus on creating a reliable link between physical inventory, supporting documentation and the accounting records. Frequent reconciliation activities, clearly defined responsibilities for addressing discrepancies, improved traceability of transactions and appropriate system-continuity procedures can support this objective.

As a result, the case provides a valuable lesson for finance professionals, as it demonstrates that a reconciliation discrepancy should not be seen as simply a number that needs to be explained and corrected. Instead, it has the potential to provide important insights into the way in which the relevant operational process is performing. By investigating

the source of the problem, finance professionals can not only improve the accuracy of the accounting records but also support operational performance.

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Author's Note On Data Confidentiality

The case study has been prepared using information obtained during the author's internship experience. Confidential company information has not been reproduced. Financial amounts, supplier balances, customer information and transaction-level monetary values have been excluded from the manuscript. The analysis focuses on the nature of financial-control and reconciliation issues and on the practical lessons derived from the internship experience.