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| Client: XYZ Limited | | Prepared by: Mr. B | Date: DD-MM-YYYY | Ref: **C5.1** |
| Year end: 31 Dec 2014 | File No: | Reviewed by: Mr. Y | Date:DD-MM-YYYY |

***INTERNAL CONTROL EVALUATION***

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| --- | --- | --- | --- | --- | --- |
| ***Business area*** | ***Key control*** | ***Compliance test*** | ***Ref. to detailed work*** | ***Results satisfactory Y/N*** | ***Place reliance on control? Y/N*** |
| Property, plant and equipment | 1. Authorisation of capital expenditure proposal 2. Authorisation of purchase orders 3. Approval of asset capitalisation 4. Management review of assessment of impairment indicators 5. Authorisation of asset disposal 6. Management review of gains or losses on disposal and related accounting 7. Review and authorisation of Asset Retirement Obligation (ARO) calculation and accounting 8. Approval of reconciliation between Fixed Asset Register (FAR) and General Ledger (GL) 9. Review and approval of depreciation expense calculation 10. Physical inspection of fixed assets 11. Segregation of duty (maker/checker) at the time of posting entry in the accounting system 12. Review of impairment indicators and performing impairment test at year end | 1. Effective 2. Effective 3. Effective 4. Effective 5. Effective 6. Effective 7. Not Effective 8. Effective 9. Effective 10. Effective 11. Effective 12. Effective |  | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. N 8. Y 9. Y 10. Y 11. Y 12. Y | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. N 8. Y 9. Y 10. Y 11. Y 12. Y |
| Investments | 1. Management review of schedule of investment including valuation 2. Management review of investment impairment 3. Management review of calculation of income from investment 4. Management review of presentation of investment and income from investment 5. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Not Effective 3. Effective 4. Effective 5. Effective |  | 1. Y 2. N 3. Y 4. Y 5. Y | 1. Y 2. N 3. Y 4. Y 5. Y |
| Inventories | 1. Signed off contact / frame agreement with supplier 2. Approval of Purchase Order (PO) by authorized person(s) 3. Sequential numbering of purchase orders 4. Issuing Goods Received Note (GRN) when goods arrive at the warehouse 5. Sequential numbering of goods received notes 6. Management review of inventory allowance 7. Review of reconciliation between inventory sub-ledger and GL 8. Approved Goods Issue Note (GIN) when goods are dispatched 9. Authorisation of scrapped/damaged goods 10. Management review of calculation of lower of Net Realizable Value (NRV) and cost 11. Cyclical inventory count and authorization of count report 12. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Effective 4. Effective 5. Effective 6. Effective 7. Effective 8. Not Effective 9. Effective 10. Effective 11. Effective 12. Effective |  | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. Y 8. N 9. Y 10. Y 11. Y 12. Y | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. Y 8. N 9. Y 10. Y 11. Y 12. Y |
| Trade and other receivable | 1. Management review of change to customers’ data 2. Verifying the accuracy of issued invoice 3. Review and approval of credit notes 4. Ageing analysis of trade receivables 5. Authorisation of bad debt allowance and write off 6. Review and approval of Receivable Sub-ledger to GL reconciliation 7. Review of reconciliation of accounts receivable to customer statements 8. Reconciliation of intercompany receivables 9. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Effective 4. Effective 5. Effective 6. Effective 7. Effective 8. Effective 9. Effective |  | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. Y 8. Y 9. Y | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. Y 8. Y 9. Y |
| Cash and cash equivalents | 1. Management review of bank reconciliation 2. Review of cash receipts reconciliation 3. Segregation of duties of persons writing/posting cash book, nominal ledger, payments and receipts 4. Approval of payment as per Limit of Authority (LOA) 5. Periodic cash count 6. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Not Effective 4. Effective 5. Effective 6. Effective |  | 1. Y 2. Y 3. N 4. Y 5. Y 6. Y | 1. Y 2. Y 3. N 4. Y 5. Y 6. Y |
| Loans and borrowings | 1. Approval of loan drawdown 2. Review of debt reconciliation 3. Management review of debt covenant compliance 4. Approval of loan repayment 5. Management review of interest expense calculation 6. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Effective 4. Effective 5. Effective 6. Effective |  | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y |
| Trade and other payables | 1. Management review of changes to vendors’ data 2. Ageing analysis of trade payables 3. Management review of Payable Sub-ledger to GL reconciliation 4. Review of reconciliation of accounts payable to supplier statements 5. Reconciliation of intercompany payables 6. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Effective 4. Not Effective 5. Effective 6. Effective |  | 1. Y 2. Y 3. Y 4. N 5. Y 6. Y | 1. Y 2. Y 3. Y 4. N 5. Y 6. Y |
| Provisions | 1. Management review of provisions calculation 2. Ageing analysis of provisions 3. Monthly review of provision balances 4. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Effective 4. Effective |  | 1. Y 2. Y 3. Y 4. Y | 1. Y 2. Y 3. Y 4. Y |
| Taxation | 1. Management review of changes in Finance Act 2. Management review of monthly tax calculation 3. Management review of tax roll forward 4. Review of reconciliation of tax provision to tax returns 5. Management review of identification of deferred tax items 6. Quarterly tax payable ageing analysis 7. Management review of VAT payable reconciliation 8. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Not Effective 3. Effective 4. Effective 5. Effective 6. Effective 7. Effective 8. Effective |  | 1. Y 2. N 3. Y 4. Y 5. Y 6. Y 7. Y 8. Y | 1. Y 2. N 3. Y 4. Y 5. Y 6. Y 7. Y 8. Y |
| Capital and reserves | 1. Review of reconciliation of shareholders’ / stockholders’ funds 2. Review of reconciliation of the dividend expense to the shareholders / stakeholders register 3. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Effective |  | 1. Y 2. Y 3. Y | 1. Y 2. Y 3. Y |
| Directors’ loan accounts and transactions | 1. Disclosure review of directors and personnel expenses 2. Approval of directors’ loan 3. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Effective |  | 1. Y 2. Y 3. Y | 1. Y 2. Y 3. Y |
| Revenue | 1. Signed off contact / frame agreement with distributor 2. Authorisation of new customers 3. Approval of credit limit and credit terms 4. Exception/ edit report review – sales orders exceeding credit limits 5. Approval of price list 6. Exception/ edit report review – master price list overrides 7. Authorisation of trade discount and promotion 8. Approval by the credit department of all sales before the goods are actually dispatched 9. Reconciliation of sales ledger control account 10. Sequential numbered invoices 11. Invoices are only raised when invoicing department gives a valid order or dispatch note 12. Periodic reconciliation between purchase order, dispatch note and invoices 13. Authorisation of invoices after checking pricing, quantity and others 14. Management review of sales cut-off 15. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Effective 4. Effective 5. Effective 6. Effective 7. Effective 8. Effective 9. Effective 10. Effective 11. Not Effective 12. Effective 13. Effective 14. Effective 15. Effective |  | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. Y 8. Y 9. Y 10. Y 11. N 12. Y 13. Y 14. Y 15. Y | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. Y 8. Y 9. Y 10. Y 11. N 12. Y 13. Y 14. Y 15. Y |
| Purchases and other expenses | 1. Approval of Purchase Requisition (PR) and Purchase Order (PO) 2. Sequential numbering of purchase orders 3. 3 way match – purchases (Manual) 4. Management review of actual expense schedule 5. Management review of foreign exchange gain/loss calculation 6. Management review of purchases cut-off 7. Reconciliation between VAT control account and purchase ledger 8. Invoices are marked as paid to prevent them being entered into the system again 9. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Effective 4. Effective 5. Not Effective 6. Effective 7. Effective 8. Effective 9. Effective |  | 1. Y 2. Y 3. Y 4. Y 5. N 6. Y 7. Y 8. Y 9. Y | 1. Y 2. Y 3. Y 4. Y 5. N 6. Y 7. Y 8. Y 9. Y |
| Payroll | 1. System functionality configured to identify duplicate salary processing 2. Management review of payroll expense accruals 3. Management review of payroll reconciliation 4. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Effective 4. Effective |  | 1. Y 2. Y 3. Y 4. Y | 1. Y 2. Y 3. Y 4. Y |
| Nominal ledger | 1. Management review of nominal ledger balances at the year-end 2. Management review of reconciliation between trial balances and individual nominal ledger 3. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Effective |  | 1. Y 2. Y 3. Y | 1. Y 2. Y 3. Y |
| Accounting system | 1. Built-in password related rules in the system 2. Approval of requests for user creation 3. Access validity period for external use 4. Cyclical back-up of data 5. Periodic review of the policies and procedures mentioning the owner of the policies and procedures 6. Approval of changes in master files 7. Approval for changes in software 8. Built-in prevention system over inappropriate intervention 9. Disaster recovery plan 10. Segregation of duty (maker/checker) at the time of posting entry in the accounting system | 1. Effective 2. Effective 3. Not Effective 4. Effective 5. Effective 6. Effective 7. Effective 8. Effective 9. Effective 10. Effective |  | 1. Y 2. Y 3. N 4. Y 5. Y 6. Y 7. Y 8. Y 9. Y 10. Y | 1. Y 2. Y 3. N 4. Y 5. Y 6. Y 7. Y 8. Y 9. Y 10. Y |
| Other relevant IT systems | 1. Built-in password related rules in the system 2. Approval of requests for user creation 3. Access validity period for external use 4. Cyclical back-up of data 5. Periodic review of the policies and procedures mentioning the owner of the policies and procedures 6. Approval of changes in master files 7. Approval for changes in software 8. Periodic changes to systems and program 9. Built-in prevention in system over inappropriate manual intervention 10. Disaster recovery plan | 1. Effective 2. Effective 3. Not Effective 4. Effective 5. Effective 6. Effective 7. Effective 8. Effective 9. Effective 10. Effective |  | 1. Y 2. Y 3. N 4. Y 5. Y 6. Y 7. Y 8. Y 9. Y 10. Y | 1. Y 2. Y 3. N 4. Y 5. Y 6. Y 7. Y 8. Y 9. Y 10. Y |
| Production of management accounts | 1. Review of reconciliation of statutory books to GL 2. Segregation of duties over preparing and reviewing the management accounts 3. Management review of reconciliation between management accounts and statutory accounts 4. Analytical review of management accounts 5. Review of reconciliation between trial balance and management accounts 6. Segregation of duty (maker/checker) at the time of preparing and reviewing the accounts | 1. Effective 2. Effective 3. Effective 4. Effective 5. Effective 6. Effective |  | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y |
| Production of forecasts and business plans | 1. Management preparation and review of production of forecasts semi-annually 2. Management review of reconciliation between actual results and forecasts 3. Management preparation and review of yearly business plans 4. Management review of implementation of business plans 5. Segregation of duty (maker/checker) at the time of preparing and reviewing the budget and business plans | 1. Effective 2. Effective 3. Effective 4. Effective 5. Effective |  | 1. Y 2. Y 3. Y 4. Y 5. Y | 1. Y 2. Y 3. Y 4. Y 5. Y |