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| Client: XYZ Limited | | Prepared by: Mr. B | Date: DD-MM-YYYY | Ref: **C5.1** |
| Year end: 31-12-2014 | File No: | Reviewed by: Mr. Y | Date:DD-MM-YYYY |

***REVIEW OF DESIGN AND IMPLEMENTATION OF INTERNAL CONTROLS***

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| ***Business area*** | ***Outline of information system and controls*** | ***Comment on design and effectiveness of controls*** | ***Comment on implementation of controls*** | ***Ref to letter of comment to client*** | ***Further testig required? Y/N*** | ***Ref to ICE(S3) where tested*** |
| 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. Authorisationof asset disposal 6. Management review of gains or losses on disposal and related accounting 7. Review and authorisationof 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. Effective 8. Effective 9. Effective 10. Effective 11. Effective 12. Effective | 1. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exists and being used 7. Control exists and being used 8. Control exists and being used 9. Control exists and being used 10. Control exists and being used 11. Control exists and being used 12. Control exists and being used |  | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. Y 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. Effective 3. Effective 4. Effective 5. Effective | 1. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used |  | 1. Y 2. Y 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. Management review of calculation of lower of Net Realizable Value (NRV) and cost 10. Authorisation of scrapped/damaged goods 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. Effective 9. Effective 10. Effective 11. Effective 12. Effective | 1. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exists and being used 7. Control exists and being used 8. Control exists and being used 9. Control exists and being used 10. Control exists and being used 11. Control exists and being used 12. Control exists and being used |  | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. Y 8. Y 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. Ageing analysis of trade receivables 4. Review and approval of Receivable Sub-ledger to GL reconciliation 5. Review and approval of credit notes 6. Authorisation of bad debt allowance and write off 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. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exists and being used 7. Control exists and being used 8. Control exists and being used 9. Control exists and being used |  | 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. Approval of payment as per Limit of Authority (LOA) 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. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exist and being used |  | 1. Y 2. Y 3. Y 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. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exists and being used |  | 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. Effective 5. Effective 6. Effective | 1. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exists and being used |  | 1. Y 2. Y 3. Y 4. Y 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. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used |  | 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. Effective 3. Effective 4. Effective 5. Effective 6. Effective 7. Effective 8. Effective | 1. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exists and being used 7. Control exists and being used 8. Control exists and being used |  | 1. Y 2. Y 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. Control exists and being used 2. Control exists and being used 3. Control exist and being used |  | 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. Control exists and being used 2. Control exists and being used 3. Control exists and being used |  | 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. Management review of sales cut-off 9. Approval by the credit department of all sales before the goods are actually dispatched 10. Reconciliation of sales ledger control account 11. Sequential numbered invoices 12. Invoices are only raised when invoicing department gives a valid order or dispatch note 13. Periodic reconciliation between purchase order, dispatch note and invoices 14. Authorisation of invoices after checking pricing, quantity and others 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. Effective 12. Effective 13. Effective 14. Effective 15. Effective | 1. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exists and being used 7. Control exists and being used 8. Control exists and being used 9. Control exists and being used 10. Control exists and being used 11. Control exists and being used 12. Control exists and being used 13. Control exists and being used 14. Control exists and being used 15. Control exists and being used |  | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. Y 8. Y 9. Y 10. Y 11. Y 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. Effective 6. Effective 7. Effective 8. Effective 9. Effective | 1. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exists and being used 7. Control exists and being used 8. Control exists and being used 9. Control exists and being used |  | 1. Y 2. Y 3. Y 4. Y 5. Y 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. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used |  | 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 | 1. Effective 2. Effective | 1. Control exists and being used 2. Control exists and being used |  | 1. Y 2. Y |  |
| Accounting system | 1. Password configuration 2. User access review 3. Cyclical back-up of data 4. Disaster recovery plan 5. Approval of requests for user creation 6. Periodic review of the policies and procedures mentioning the owner of the policies and procedures 7. Approval of changes in master files 8. Approval for changes in software 9. Built-in prevention system over inappropriate intervention 10. 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 | 1. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exists and being used 7. Control exists and being used 8. Control exists and being used 9. Control exists and being used 10. Control exists and being used |  | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y 7. Y 8. Y 9. Y 10. Y |  |
| Other relevant IT systems | 1. Password configuration 2. User access review 3. Cyclical back-up of data 4. Disaster recovery plan 5. Approval of requests for user creation 6. Periodic review of the policies and procedures mentioning the owner of the policies and procedures 7. Approval of changes in master files 8. Approval for changes in software 9. Periodic changes to systems and program 10. Built-in prevention in system over inappropriate manual intervention | 1. Effective 2. Effective 3. Effective 4. Effective 5. Effective 6. Effective 7. Effective 8. Effective 9. Effective 10. Effective | 1. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exists and being used 7. Control exists and being used 8. Control exists and being used 9. Control exists and being used 10. Control exists and being used |  | 1. Y 2. Y 3. Y 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. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used 6. Control exists and being used |  | 1. Y 2. Y 3. Y 4. Y 5. Y 6. Y |  |
| Production of forecasts and business plans | 1. Management preparation and review 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. Control exists and being used 2. Control exists and being used 3. Control exists and being used 4. Control exists and being used 5. Control exists and being used |  | 1. Y 2. Y 3. Y 4. Y 5. Y |  |

**Disclaimer: Dummy audit working files have been prepared and published to improve the quality of audit documentation of member firms providing audit services in Bangladesh. Member firms providing audit services should not assume these dummy working files as absolute benchmark for the purpose of preparing and keeping audit documentation. Every audit client has unique characteristics and risks. International Standards on Auditing (ISA) also requires to exercise engagement partner’s judgment on a number of areas in conducting the audit of an entity. Therefore, member firms should use their professional knowledge, skill, experiences along with these dummy working files to keep adequate and appropriate working papers for each audit engagement. The preparers do not assume any liability for drawing an inappropriate audit opinion based on the working papers prepared on the basis of these dummy working files.**