### INTERNAL CONTROL CHECKLIST (Excluding IT internal controls)

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| **Auditee:** |  | **Reviewed by:** | **Name** | **Rank** | **Date** |
| **Period end:** |  | **Level 1** |  |  |  |
| **Prepared by:** |  | **Level 2** |  |  |  |
| **Rank:** |  | **Level 3** |  |  |  |
| **Date:** |  |  |  |  |  |

| **Control aspects** | | **Yes** | **No** | **Record of work done** | **WP ref.** |
| --- | --- | --- | --- | --- | --- |
| **Control environment** | | | | | |
| 1 | Are there related public sector entities which:   * Fall under the control of the auditee. * Fall under the control of the same person (ie Minister) who is in charge of the auditee.   If yes, list the related entities and their relationships to the auditee. Document the related parties in the Overall Audit Strategy working paper. |  |  | *[for example: meeting with Ms X Chief Finance Officer on 03-09-0x.*  *Inspected annual report for list of disclosed related parties]* | *[B12 annu-al report]* |
| 2 | Has management identified any significant transactions between the auditee and any of the identified related entities?  If yes, document the transactions identified and evaluate whether these transactions lead to risks.  If management has not identified any transactions even though related parties do exist, consider further work to be done on this aspect. |  |  |  |  |
| 3 | Does the auditee prepare the following documents: |  |  |  |  |
|  | * Strategic plan |  |  |  |  |
|  | * Operational plans |  |  |  |  |
|  | * Detailed budgets |  |  |  |  |
| 4 | Is the organisational structure of the auditee clearly defined by means of an approved and updated organisation chart?  Note: organisational chart need to relate to the level of the entity on which the audit opinion is provided (e.g. for the entire Ministry, Local Authority) |  |  |  |  |
| 5 | Are the responsibilities of different levels of management and their roles in decision-making, documented and communicated to all staff? |  |  |  |  |
| 6 | Is there a documented delegation of powers from the accounting officer detailing authority and responsibilities as well as reporting relationships and authorisation hierarchies? |  |  |  |  |
| 7 | Are any main functions of the auditee outsourced to third parties?  For example payroll, asset management or maintenance, internal audit etc.  (Refer to par. 3.6 for more detail on auditing service level organisations) |  |  |  |  |
| 8 | If important functions have been outsourced is there an updated service level agreement documented and signed by management and the third party? |  |  |  |  |
| 9 | Has management promulgated a code of conduct for employees in the organisation during the period under review?  Inquire to employees. The code of conduct should be emphasised by management to employees on a regular basis. |  |  |  |  |
| 10 | Were financial statements of the prior years submitted timeously (in line with legislative requirements) for audit? |  |  |  |  |
| 11 | Have the audited entity fulfilled all relevant external reporting requirements?  For example any specific reports required by oversight in form of expenditure reports, management accounts, forecasts, etc. |  |  |  |  |
| 12 | Has management interpreted relevant regulations / instruction and included the requirements in its own documented and approved policies and procedures providing for the following: |  |  |  |  |
|  | 1. Human resources, to regulate matters such as orientation, training, promotions, and compensation; |  |  |  |  |
|  | 1. Minimum qualification / experience criteria for recruiting skilled and competent staff; |  |  |  |  |
|  | 1. Training and continuous development of employees; |  |  |  |  |
|  | 1. Skills retention and monitoring of the competency of staff in place to ensure that skilled and competent staff is retained and assessed; and |  |  |  |  |
|  | 1. Disaster recovery plan or business continuity plans. |  |  |  |  |
| 13 | Is there an implemented performance evaluation process including: |  |  |  |  |
| 14 | Annually revised performance contracts for key personnel (including the accounting officer); |  |  |  |  |
|  | Employment contracts for key employees; |  |  |  |  |
|  | Job descriptions for each post or group of posts; |  |  |  |  |
|  | Performance contracts for key employees; and |  |  |  |  |
|  | Regular (at least annual) performance reviews. |  |  |  |  |
| 15 | Are instances of non-performances identified and dealt with? |  |  |  |  |
| 16 | Is there a low vacancy rate for the auditee? |  |  |  |  |
| 17 | Is the staff turnover generally perceived to be low and acceptable? |  |  |  |  |
| 18 | Has management provided reliable responses in the past to requests by auditors for information and explanations? |  |  |  |  |
| **The auditee’s risk assessment process** | | | | | |
| 19 | Does the auditee has a documented and approved risk management policy? |  |  |  |  |
| 20 | Have formal risk assessments been performed on a regular basis (e.g. at least twice a year depending on the size and nature of the audited entity)? |  |  |  |  |
| 21 | Is there a direct correlation between the risks identified by management and those identified during the audit?  *Reconcile risks identified during the current or prior year’s audit.* |  |  |  |  |
| 22 | Have the risk assessment identified and addressed at least the following areas: |  |  |  |  |
|  | 1. Asset management; |  |  |  |  |
|  | 1. Revenue management (completeness of revenue); |  |  |  |  |
|  | 1. Expenditure management; |  |  |  |  |
|  | 1. Personnel management; |  |  |  |  |
|  | 1. Fraud; and |  |  |  |  |
|  | 1. Service delivery (e.g. failures in delivering services)? |  |  |  |  |
| 23 | Does management estimate the significance and the likelihood of the risks? |  |  |  |  |
| 24 | Are clearly documented and specific controls identified in response to the risks?  *Note: specific controls should identify responsible persons, documentation and review requirements.* |  |  |  |  |
| 25 | Does the audited entity have any legislated mandate with respect to environmental matters?  *If yes, the auditor should consider using the environmental guideline of AFROSAI-E.* |  |  |  |  |
| 26 | Does any of the auditee’s activities have significant impact on environmental issues i.e. waste generation, water contamination etc.  *If yes, the auditor should consider using the environmental guideline of AFROSAI-E.* |  |  |  |  |
| **Control activities** | | | | | |
| 27. | Has management interpreted relevant financial regulations or instructions and developed its own written policies and procedures to guide key processes and controls for the management including:  *Note: regulations / instructions applicable to a number of entities in government should be interpreted in the circumstances of the auditee. It is usually not sufficient to use such generic guidance* |  |  |  |  |
|  | * Revenue; |  |  |  |  |
|  | * Expenditure; |  |  |  |  |
|  | * Employee cost / personnel expenditure; |  |  |  |  |
|  | * Inventory and assets; |  |  |  |  |
|  | * Financial liabilities; and |  |  |  |  |
|  | * Major areas of services delivered. |  |  |  |  |
| 28. | **Does the above policies and procedures include:** |  |  |  |  |
|  | Roles and responsibilities of personnel involved detailing documentation and reporting requirements; |  |  |  |  |
|  | Are roles and responsibilities identified to clearly provide for segregation of incompatible functions ie. different persons perform the following activities: |  |  |  |  |
| * Authorisation; |  |  |  |  |
| * Processing / recording |  |  |  |  |
| * Having custody of assets |  |  |  |  |
|  | Methods for resolving (correcting) incorrect processing; |  |  |  |  |
|  | How system overrides and bypasses should be processed and accounted for; and |  |  |  |  |
|  | Processes on how journal entries are passed. |  |  |  |  |
| 29. | Have legislative requirements been consulted by management when compiling these policies and procedures? |  |  |  |  |
| 30. | Are there processes in place to ensure that significant changes in legislation are reflected in the updated policies and procedures? |  |  |  |  |
| 31. | Have policies and procedures been clearly communicated to operational personnel it applies to?  Inquire to personnel and identify proof of communication. |  |  |  |  |
| 32. | Is segregation of duties maintained during staff absence due to vacation, illness or vacancies? |  |  |  |  |
| **Monitoring of controls** | | | | | |
| 33. | Does management use the reports of internal audit to monitor controls? |  |  |  |  |
| 34. | Does management ensure that the following are performed periodically: |  |  |  |  |
|  | 1. Reconciliation between physical and theoretical stock; |  |  |  |  |
|  | 1. Reconciliation between the asset count and asset register; |  |  |  |  |
|  | 1. Reconciliation between computer systems (for example financial and personnel system); and |  |  |  |  |
|  | 1. Bank reconciliation. |  |  |  |  |
| 35. | Have major recommendations of internal audit, external audit / management consultants been implemented timely? |  |  |  |  |
| 36. | Has management identified key aspects of operations and the information needed (e.g. exception reports) to monitor the operations of the entity? |  |  |  |  |
| 37. | Has management been using these reports to monitor key aspects of operations? |  |  |  |  |
| 38. | Has management identified non-compliances and was there corresponding correction in the operation of internal control practices?  *[Non-compliance include those with the code of ethics and other management policies and procedures]* |  |  |  |  |
| 39. | **Gender issues**  When the auditee receives donor funding inspect the donor agreement to determine whether there are any requirements relating to managing and disclosing information on gender issues.  When this is the case confirm that the auditee complies with the provisions included in the donor agreement. |  |  |  |  |

**The following risks have been identified:**

***[All risks identified will be taken to the of Risk of material misstatement on financial statement level working paper]***