

Application controls	To ensure only valid data is being processed and that it is accurate. e.g. Batch total checks and sequence checks
Cash System	Pretty cash levels are kept to a minimum. Payments are only made for legitimate business expenditure. Cash is safeguarded against theft Recorded on timely basis
Communicating deficiencies covering letter should contain	Sentence that the report is not a comprehensive list of deficiencies. Report is for the sole of the company. Report should not be sent to a 3rd party without written agreement with the auditor. No responsibility is assumed to any other parties.
Components of internal control	Control environment Entity's risk assessment process. Information systems. Control activities. Monitoring.
Control activities	Policies & procedures designed to ensure management directives are carried out throughout the organisation. e.g. Authorisation, Performance review, information processing, physical controls and segregation of duties.
Control environment	the attitudes, awareness, and actions of management and those charged with governance concerning the entity's internal control and its importance in the entity
Documenting client systems	Narrative Notes. Flow Charts. Organisation Charts. Internal Control Questionnaires (ICQ) Internal Control Evaluation Questionnaire (ICEQ)
Elements of a strong control environment	Commitment to competence. Organisational Structure. HR policies & practices.
Entity's risk assessment process	Identify relevant business risk. Estimate the significance of risks. Assess likelihood of occurrence. Decide on actions to address the risk.
Flow Charts	Diagrammatical Representation +Easy to view whole system in one diagram - Still need for narrative notes

How to obtain evidence regarding design & implementation of controls include:	Enquires with relevant personnel. Observing application of controls. Tracing a transaction through the system. Inspect documents.
Information systems	Initiate, record, process and report transactions. Maintain accountability of assets. Resolve incorrect processing of transactions. Transfer of into to G/L
Inherent Limitations to reliance on internal controls	Human error. Ineffective Controls. Collusion of staff in circumventing controls. Abuse of power by those with ultimate controlling responsibility.
Internal control evaluations questionnaire	Client asked to describe the controls they have in place for a given control objective + Client has to respond with what they have in place and no just Yes or No
Internal Control Questionnaire	List of control given to client and asked whether or not they are in place. + Quick to prepare as a standard questionnaire - Controls could be overstated as client knows auditor is looking for a 'Yes'
Inventory System	Inventory levels meet the needs of production & customer demands. Inventory levels are not excessive. Inventory is safeguarded from theft, loss or damage. All inventory is recorded and at appropriate value.
Monitoring	Client should assess effectiveness of controls. This is a key role of internal audit.
Narrative Notes	Written Description + Simple to record - Time consuming and cumbersome if complex.
Payroll Sytem	Time sheets submitted - Employees are only paid for what they work. Payroll calculation - only genuine employees are paid and are calculated accurately. Standing data amendments - standing data is kept up to date. Recording - All payroll amounts are recorded and accurately. Payments to employees & tax authorities - Correct amounts are paid.
Purchase System	Orders placed - all orders are places with suppliers who have been checked for quality, reliability and pricing Goods received - Only goods ordered are accepted. Invoice received - Relates to goods actually received. Recording - All payroll amounts are recorded and accurately. Cash Payments - Payments only made for goods received.

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## Sales system procedures

Order received - All orders are to be processed.  
Goods Dispatched - Orders to be dispatched promptly & in full.  
Invoice sent - All goods dispatched are invoiced.  
Transactions recorded in books - Only valid sales are recorded.  
Cash Received - Irrecoverable debts identified and written off appropriately.

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