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| **Client:** | **$(client)** | |
| **Period end date:** | **$(start) - $(end)** | |
| **EGA title:** | \*Understand and Evaluate Internal Control | |
| **Ref. no.:** |  | |
| **Prepared by:** | $(user) | **Date:** |
| **Approved by Manager:** |  | **Date:** |
| **Approved by Partner:** |  | **Date:** |

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| **Procedures performed** | **Links** | **Ref. no.** |
| 1. The engagement team obtained/updated and evaluated understanding of the entity’s system of internal control: 2. Control environment; 3. Risk assessment process; 4. Information system and communication; 5. Control activities; and 6. Entity’s process to monitor the system of internal control. | [**Internal Control Template.docx**](Internal%20Control%20Template.docx) |  |
| 1. The engagement team obtained/updated and documented accordingly, understanding of the entity’s use of IT in the system of internal controls. | [**General Purpose CIS Template.docx**](General%20Purpose%20CIS%20Template.docx) |  |
| 1. Based on the evaluation of each of the components of the entity’s system of internal control, the engagement team determined whether any significant risks were identified and whether one or more control deficiencies were identified and whether they constituted a significant deficiency. Any identified significant deficiency was communicated to those charged with governance on a timely basis. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx)  If applicable, attach any minutes/memos/written communication. |  |
| 1. The engagement team’s understanding and evaluation provided a basis for identifying and assessing the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels, thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| 1. The engagement team’s understanding and evaluation was based on prior year experience relevant to the current period, any other engagements with the entity and acceptance/continuance procedures as well as discussions among engagement team and initial meeting(s). | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| 1. The engagement team appropriately documented the understanding and evaluation of the entity’s system of internal control and sources of information and the risk assessment procedures performed (inquiries, inspection, observation, walkthroughs, and/or other activities mentioned above) from which the understanding was obtained/updated. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| 1. Where applicable, the engagement team obtained understanding of the entity’s controls, including control activities, relevant to the significant risk(s). | Not applicable since no such circumstances exist.  OR  Attach [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| 1. Where the engagement team made judgement that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures (as a result of risks relating to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention) the engagement team obtained understanding of the entity’s controls over such risks. | Not applicable since no such circumstances exist.  OR  Attach [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| **Control Environment** | | |
| 1. The engagement team obtained/updated an understanding of the control environment relevant to the preparation of the financial statements by:    1. Understanding the set of controls, processes and structures that address:       * 1. How management’s oversight responsibilities are carried out, such as the entity’s culture and management’s commitment to integrity and ethical values;         2. When those charged with governance are separate from management, the independence of, and oversight over the entity’s system of internal control by, those charged with governance;         3. The entity’s assignment of authority and responsibility;         4. How the entity attracts, develops, and retains competent individuals; and         5. How the entity holds individuals accountable for their responsibilities in the pursuit of the objectives of the system of internal control; and    2. Evaluating whether the management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior and whether strengths in the control environment elements collectively provide an appropriate foundation for the other components of the entity’s system of internal control considering the nature and complexity of the entity, and whether those other components are not undermined by deficiencies in the control environment. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| **Risk Assessment Process** | | |
| 1. The engagement team obtained/updated understanding of the entity's risk assessment process relevant to financial reporting by:    1. Understanding the entity’s process for:       1. Identifying business risks relevant to financial reporting objectives;       2. Assessing the significance of the risks, including the likelihood of their occurrence; and       3. Addressing those risks; and    2. Evaluating whether the entity’s risk assessment process is appropriate to the entity’s circumstances considering the nature and complexity of the entity. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| 1. The engagement team obtained/updated an understanding of how management communicates to those charged with governance regarding the risk assessment process and how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| 1. The engagement team determined whether it identified risks of material misstatement that management failed to identify, and if so, they gained an understanding of why that process failed to identify it and determined if there is a significant deficiency in entity’s system of internal control with regard to the entity's risk assessment process. The engagement team also evaluated the appropriateness of the process and determined the impact of any such deficiency on the other components of the entity’s system of internal control and the audit strategy. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| 1. The engagement team determined whether the entity has not established such a process or has an ad hoc process, and if so, the engagement team discussed with management whether business risks relevant to financial reporting objectives have been identified and how they have been addressed and evaluated the appropriateness of the absence of such a process and determined whether it represents a significant deficiency in entity’s system of internal control. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| **Information System and Communication** | | |
| 1. The engagement team held discussions with management responsible for both business processes and information systems and technology and relevant documentation was reviewed in order to understand how the entity's financial statements are prepared, including mapping the linkage between significant processes and the financial statements. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| 1. The engagement team obtained/updated understanding of the entity’s information system and communication relevant to the preparation of the financial statements, by:    1. Understanding the entity’s information processing activities, including its data and information, the resources to be used in such activities and the policies that define, for significant classes of transactions, account balances and disclosures:       1. How information flows through the entity’s information system, including how: 2. Transactions are initiated, and how information about them is recorded, processed, corrected as necessary, incorporated in the general ledger and reported in the financial statements; and 3. Information about events and conditions, other than transactions, is captured, processed and disclosed in the financial statements;    * 1. The accounting records, specific accounts in the financial statements and other supporting records relating to the flows of information in the information system;      2. The financial reporting process used to prepare the entity’s financial statements, including disclosures; and      3. The entity’s resources, including the IT environment, relevant to how information flows through the entity’s information system and the financial reporting process.    1. Understanding how the entity communicates significant matters that support the preparation of the financial statements and related reporting responsibilities in the information system and other components of the system of internal control:       1. Between people within the entity, including how financial reporting roles and responsibilities are communicated;       2. Between management and those charged with governance; and       3. With external parties, such as those with regulatory authorities; and    2. Evaluating whether the entity’s information system and communication appropriately support the preparation of the entity’s financial statements in accordance with the applicable financial reporting framework. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
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| 1. The engagement team obtained/updated an understanding of the level and complexity of controls automation, system complexity, platforms used, approach to security and the security architecture, known problems, and nature and volume of transactions that could impact the audit. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| **Control Activities** | | |
| 1. The engagement team obtained/updated understanding of control activities (performance reviews, information processing, physical controls and/or authorization and segregation of duties) by:    1. Identifying controls that address risks of material misstatement at the assertion level in the control activities component as follows:       1. Controls that address a risk that is determined to be a significant risk;       2. Controls over journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments;       3. Controls for which the engagement team plans to test operating effectiveness in determining the nature, timing and extent of substantive testing, which shall include controls that address risks for which substantive procedures alone do not provide sufficient appropriate audit evidence;       4. Other controls that the engagement team considered appropriate to enable the engagement team to identify and assess of risks of material misstatement and the design of further audit procedures with respect to risks at the assertion level, based on the engagement team’s professional judgment;    2. Based on controls identified above, identifying the IT applications and the other aspects of the entity’s IT environment that are subject to risks arising from the use of IT;    3. For such IT applications and other aspects of the IT environment, identifying:       1. The related risks arising from the use of IT;       2. The entity’s general IT controls that address such risks; and    4. Evaluating whether the control is designed effectively to address the risk of material misstatement at the assertion level, or effectively designed to support the operation of other controls and determining whether the control has been implemented by performing a walkthrough and/or other appropriate procedures. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
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| 1. The engagement team considered whether the direct entity level controls were ineffective at an adequate level of precision to prevent or detect on a timely basis material misstatements to one or more relevant assertion and if so, the engagement team sought to understand the transaction level controls. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |
| **Monitoring of Controls** | | |
| 1. The engagement team obtained/updated understanding of the entity’s process for monitoring the system of internal control relevant to the preparation of the financial statements by:    1. Understanding those aspects of the entity’s process that address:       1. Ongoing and separate/periodic evaluations for monitoring the effectiveness of controls; and the identification and remediation of control deficiencies identified; and       2. The entity’s internal audit function, if any, including its nature, responsibilities and activities;    2. Understanding the sources of the information used in the entity’s monitoring activities, and the basis upon which management considered the information to be sufficiently reliable for the purpose; and    3. Evaluating whether the entity’s process for monitoring the system of internal control is appropriate to the entity’s circumstances considering the nature and complexity of the entity.    4. Considering monitoring over segregation of duties to the extent necessary e.g. if management monitors the controls over access rights and restrictions to verify they remain appropriate over time. | [**Internal Control Template.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/8%20Understand%20and%20Evaluate%20Internal%20Control/Internal%20Control%20Template.docx) |  |