

Internal Control Assessment System (ICAS)

Instructions

1. Identify the system to be reviewed.

For example:

- a. Payroll
- b. Purchases/payments
- c. Sales/Receipting

2. Document the systems

Use the form attached from the inception of the transaction to the final process. Include all significant processes and steps. More detail can be added at a later date if necessary.

3. Identify the key controls

Review the system notes and identify the key control processes. Attempt to class the controls identified between the two following classes:

a. Preventative controls

Controls designed to prevent errors, unauthorised use of assets or the misappropriation of assets. These controls may include:

- i. Segregation of duties and incompatible functions
- ii. Authorisation of transactions
- iii. Review of transactions before they are completed
- iv. Third party documentation of transactions
- v. Various approval limits in relation to transactions (i.e. amounts over \$xxx)
- vi. Review of exception reports prior to finalisation of the transaction

b. Detective controls

Controls designed to detect errors, unauthorised use of assets or the misappropriation of assets. These controls may include:

- vii. Management review of particular transactions
- viii. Comparison to historical financial information and budgets
- ix. Identifying, setting and monitoring key performance indicators
- x. Review of exception reporting (i.e. changes to payroll master file)
- xi. Review of transactions after they are completed
- xii. Board review of management accounts
- xiii. Internal audit procedures
- xiv. Reconciliation processes over assets and liabilities

4. Determine responsibility

It is important to ensure it is clearly identified who is responsible for the control process and that this responsibility is communicated to the person.

5. Determine the frequency

The frequency of a control will partly determine its effectiveness. The frequency will differ depending on the control. The preventative controls are usually implemented for every transaction. Detective controls are usually less frequent.

6. Commentary

It is important that all parties involved understand the process and what is involved. Add commentary to your system notes but ensure that sundry comments do not detract for the key control documentation.

7. Board Approval

It is the responsibility of the board or committee of management to implement a system of internal controls sufficient to safeguard the asset of the organisation. Management must share this responsibility as they will largely be responsible for the design and implementation of the preventative control and many of the detective controls and for ensuring that they are consistently applied.

We recommend that the schedule be presented to the board for approval and that the board consider seeking representation from management that they have been consistently applied during the period.

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System:		Prepared Date:		Reference:	
Prepared by:		Board Approval:		Version:	

	System Notes	Control		Responsibility	Frequency	Comments
		Preventative	Detective			
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						