

# THE INTERNAL CONTROL CHECKLIST



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# 1 FINANCIAL CONTROL



- Separate individuals handling authorization, recording, and custody of assets and financial transactions.
- Establish a formal vendor approval process.
- Establish controls for managing vendor master data.
- Implement a formal expense authorization process.
- Perform due diligence on new vendors before engaging in business transactions.
- Periodically review vendor performance and contracts.
- Regularly reconcile accounts payable balances.
- Set expenditure limits and require approval for expenses above a certain threshold.
- Verify invoices against purchase orders and contracts.
- Document and approve revenue recognition policies.
- Ensure compliance with revenue recognition principles.
- Implement credit checks for new customers.
- Periodically review and update credit policies to reflect changing risks.
- Regularly review aging reports for outstanding receivables.
- Regularly review the adequacy of bad debt reserves.
- Establish procedures for cash handling and deposits.
- Maintain a petty cash fund with proper controls and reconciliations.
- Regularly review bank signatories and account access.
- Segregate duties for handling cash receipts and disbursements.
- Conduct regular physical inventory checks.
- Establish a formal approval process for capital expenditures.
- FA Separate custody of physical assets from accounting responsibilities.
- Implement controls for the acquisition and disposal of fixed assets.
- Keep an accurate fixed asset register.
- Periodically review asset retirement obligations for accuracy and updates.
- Regularly test for impairment of assets and document the results.
- Review depreciation and amortization calculations for accuracy.



- Document and approve all journal entries and adjustments.
- Ensure timely reconciliation of intercompany balances and transactions.
- Establish a record retention policy in line with legal requirements.
- Follow up on audit findings to ensure remediation.
- Implement controls for managing investments and risk exposures.
- Implement cost accounting processes to track and manage expenses.
- Maintain proper documentation for all financial transactions.
- Perform monthly bank reconciliations for all accounts.
- Regularly review cost allocations for accuracy and consistency.
- Regularly review lease agreements for compliance and accounting treatment.
- Review and approve all related-party transactions.
- Review and document R&D expenses for accounting treatment.
- Review significant contracts for financial implications and compliance.
- Review supporting documentation for accuracy and validity.
- Segregate the roles of transaction preparation and approval.
- Use pre-numbered documents for accounting records to detect missing transactions.
- Conduct periodic reviews of financial controls and processes.
- Continuously assess and improve internal controls based on changing circumstances and feedback.
- Establish clear financial policies and procedures and communicate them to relevant staff.
- Establish policies for managing capital and equity.
- Establish procedures for approving and documenting inventory write-offs.
- Implement policies for managing travel and entertainment expenses.
- Provide training to employees on internal controls and financial policies.
- Regularly review compliance with financial regulations and company policies.
- Review payroll inputs and outputs for accuracy.
- Conduct regular meetings with management to discuss financial results and controls.
- Ensure accurate and timely financial reporting.
- Ensure compliance with relevant industry accounting standards.
- Ensure proper use of accounting estimates in financial reporting.
- Regularly analyze financial statements for unusual trends or discrepancies.
- Control access to financial systems and sensitive data.

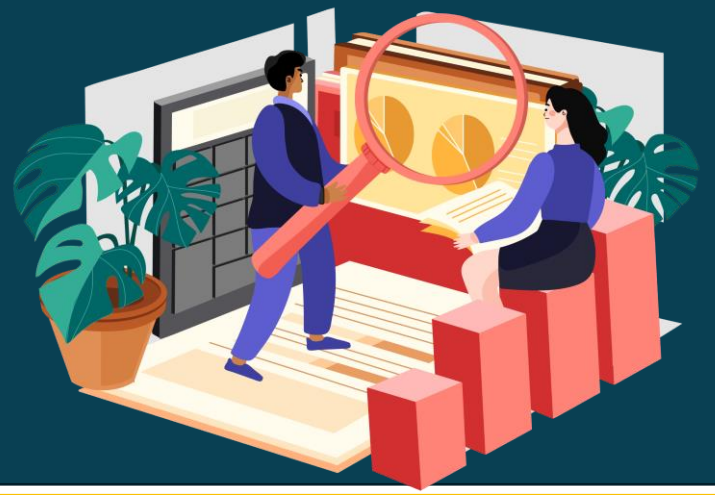


# FINANCIAL CONTROL

- Establish a disaster recovery plan for financial systems and data.
- Implement controls to protect customer and employee privacy.
- Periodically review IT general controls to ensure the integrity of financial data.
- Protect financial data from unauthorized access and cyber threats.
- Regularly review user access rights.



# 2 FINANCIAL PLANNING & ANALYSIS



- Define and communicate the company's strategic goals and objectives.
- Establish a formal strategic planning process, including timelines and responsibilities.
- Regularly review the alignment of financial plans with strategic objectives.
- Perform scenario planning exercises to assess potential risks and opportunities.
- Review the sensitivity of financial forecasts to different scenarios.
- Implement a structured budgeting process with clear guidelines.
- Require appropriate approvals for budget changes and adjustments.
- Review and validate assumptions used in the budget.
- Establish a robust forecasting process to update financial projections regularly.
- Document and communicate forecast assumptions and changes.
- Monitor forecast accuracy and identify areas for improvement.
- Establish a process to incorporate feedback and lessons learned into future forecasts.
- Implement a rolling forecast process to update projections continuously.
- Align the rolling forecast with the strategic planning cycle.
- Monitor and analyze key business drivers and variances against budget and forecast.
- Investigate significant variances and document explanations.
- Prepare timely and accurate management reports.
- Ensure that reports are relevant, insightful, and aligned with business needs.
- Implement data integrity checks to validate the accuracy of reported information.
- Identify and monitor financial and non-financial KPIs relevant to business performance.
- Set targets for KPIs and track progress against these targets.
- Implement controls to ensure the accuracy and integrity of financial and operational data.



# FINANCIAL PLANNING & ANALYSIS

- Regularly review data sources for completeness and accuracy.
- Define and document the allocation methodology for shared costs and expenses.
- Review and validate the results of allocations regularly.
- Document and retain the rationale behind key financial assumptions.
- Regularly review and update assumptions based on changing business conditions.
- Conduct variance analysis to explain deviations between actuals and forecasts.
- Investigate and resolve significant variances promptly.
- Implement controls to monitor and manage expenses effectively.
- Set expenditure limits and require approvals for significant expenses.
- Implement cost control measures in response to changing business conditions.
- Monitor cost-saving initiatives and assess their effectiveness.
- Monitor working capital levels and analyze trends in receivables and payables.
- Implement measures to optimize working capital, if applicable.
- Ensure financial models are well-documented and adhere to best practices.
- Review and validate financial models for accuracy and consistency.
- Facilitate coordination between FP&A, operations, sales, and other functions.
- Promote cross-functional collaboration in the planning process.



# 3 TREASURY & CASH MANAGEMENT



- Forecast cash flows regularly to ensure sufficient liquidity.
- Implement controls to monitor and manage cash inflows and outflows.
- Review and validate cash flow projections for accuracy and reasonableness.
- Establish a contingency plan to address cash flow shortfalls or disruptions.
- Maintain clear communication with banks and establish strong relationships.
- Regularly review bank service agreements and negotiate favorable terms.
- Confirm that bank charges and fees are reasonable and properly accounted for.
- Monitor changes in bank policies and regulations that may impact cash management.
- Maintain up-to-date records of bank facilities and loan agreements.
- Ensure compliance with covenants and reporting requirements.
- Regularly review borrowing needs and optimize debt structure.
- Monitor the company's credit rating with banks and credit rating agencies.
- Implement measures to maintain or improve the credit rating.
- Monitor fixed deposit maturities and rollovers to optimize returns.
- Maintain proper documentation for fixed deposits and interest income.
- Establish procedures to monitor cash balances at various locations.
- Implement controls to safeguard cash on hand and prevent misappropriation.
- Implement cash concentration and pooling arrangements to optimize cash utilization.
- Regularly review and reconcile cash concentration and pooling activities.
- Monitor the accuracy of cash flow forecasts and adjust forecasting methods as needed.
- Investigate and address significant variances between forecasted and actual cash flows.
- Establish controls for cash handling and disbursement processes.
- Segregate duties for cash handling, recording, and reconciliation.
- Perform regular bank reconciliations to ensure the accuracy of cash balances.





# TREASURY & CASH MANAGEMENT

- Investigate and resolve outstanding reconciling items promptly.
- Implement secure electronic payment systems and review access controls.
- Require dual authorization for large or sensitive electronic payments.
- Establish controls to prevent and detect fraudulent activities related to cash management.
- Regularly review and update fraud prevention measures.
- Implement controls to manage foreign exchange risks, if applicable.
- Hedge foreign exchange exposures to mitigate currency risk.
- Maintain an up-to-date register of all bank accounts.
- Periodically review authorized signatories and access rights for bank accounts.
- Implement positive pay or payment confirmation procedures with banks.
- Validate that outgoing payments match the approved list of checks and payments.
- Conduct due diligence on bank service providers and payment platforms.
- Review and assess the security measures of third-party payment providers.
- Ensure compliance with all banking regulations and reporting requirements.
- Regularly review bank compliance reports and address any deficiencies.
- Monitor interest rate exposures and implement appropriate hedging strategies.
- Assess the impact of interest rate changes on cash flows and financial performance.
- Establish a formal payment authorization process with appropriate approval levels.
- Regularly review and update payment authorization policies.
- Implement controls to validate banking communications, such as SWIFT messages.
- Verify the authenticity of banking requests or changes in account information.
- Develop and maintain an investment policy that aligns with the organization's risk tolerance.
- Monitor investment activities and assess compliance with the investment policy.
- Control access to banking systems and limit privileges based on roles and responsibilities.
- Regularly review user access rights to banking platforms.



# 4 TAXATION



- Monitor changes in tax laws and regulations to ensure compliance.
- Establish a tax calendar with key deadlines for filing returns and making payments.
- Assign responsibility for tax compliance and reporting to specific individuals or teams.
- Implement controls to verify the accuracy of tax calculations and filings.
- Maintain organized and accurate records of all tax-related transactions.
- Retain supporting documentation for tax positions taken and deductions claimed.
- Establish a record retention policy to comply with tax authority requirements.
- Develop tax planning strategies that align with the company's business objectives.
- Review and approve significant tax planning initiatives.
- Comply with transfer pricing regulations and maintain proper documentation.
- Conduct periodic transfer pricing reviews and adjustments, if applicable.
- Verify the accuracy of sales tax and VAT calculations and filings.
- Implement controls to track and manage sales tax exemption certificates.
- Establish controls to calculate the income tax provision accurately.
- Review tax provision calculations for accuracy and completeness.
- Identify and assess eligibility for tax credits and incentives.
- Document and support claims for tax credits and incentives.
- Prepare for tax audits and inquiries by maintaining organized records.
- Respond to tax authorities' requests promptly and accurately.
- Implement controls to ensure timely and accurate transfer of tax payments.
- Review payment confirmations and reconcile with tax authorities' records.
- Comply with withholding tax requirements and report withheld amounts accurately.
- Implement controls to verify the correct application of withholding tax rates.



- Establish procedures for handling tax disputes and appeals.
- Identify and assess potential tax risks and implement risk mitigation strategies.
- Review and monitor tax contingencies and reserves.
- Comply with international tax regulations, including cross-border transactions.
- Conduct periodic reviews of international tax compliance and transfer pricing.
- Disclose tax-related information in financial statements public reports as required.
- Ensure compliance with tax reporting requirements for related-party transactions.
- Provide tax compliance training to relevant employees and departments.
- Monitor the understanding and adherence to tax compliance policies.
- Where relevant, Require tax compliance certifications from key personnel and vendors.
- Regularly review and update tax compliance certifications.
- Establish protocols for handling tax controversies and disputes.
- Document communications and resolutions related to tax controversies.
- Conduct an annual tax review to assess overall tax compliance and planning.
- Implement corrective actions based on the findings of the tax review.
- Control access to tax-related information and systems.
- Regularly review user access rights to tax databases and software.
- Involve tax experts in significant business transactions to assess tax implications.
- Document and communicate tax considerations for business decisions.
- Conduct periodic tax risk assessments to identify potential exposures.
- Develop and execute risk mitigation plans based on the assessment.
- Implement reliable tax compliance software to streamline reporting and calculations.



# 5 RISK MANAGEMENT



- Provide regular risk reports with actionable insights for decision-making.
- Document risk management activities and responses.
- Assign clear ownership of risks to accountable individuals or departments.
- Ensure that risk owners understand their responsibilities and authority.
- Define the organization's risk appetite and risk tolerance levels.
- Align risk-taking decisions with the established risk appetite.
- Establish controls to monitor compliance with laws, regulations, and internal policies.
- Conduct periodic compliance assessments and audits.
- Develop a crisis management plan to respond to major risks and emergencies.
- Conduct crisis management drills and simulations to test preparedness.
- Foster a risk-aware culture throughout the organization.
- Promote a "speak-up" culture to encourage reporting of potential risks.
- Assess the effectiveness of risk controls and mitigation measures.
- Implement necessary improvements to enhance risk control effectiveness.
- Develop a business continuity plan to ensure continuity during disruptive events.
- Test the business continuity plan regularly to validate its effectiveness.
- Implement controls to protect sensitive data from cybersecurity threats.
- Ensure compliance with data protection and privacy regulations.
- Review and maintain adequate insurance coverage to mitigate financial risks.
- Regularly assess insurance policies for appropriateness and coverage limits.
- Conduct scenario planning exercises to assess the impact of potential risk scenarios.
- Use scenario analysis to inform risk mitigation strategies.
- Establish a risk governance structure with defined roles and responsibilities.
- Provide oversight and review of the risk management framework regularly.



# 6 INVESTMENT MANAGEMENT



- The department maintains a well-defined investment policy statement that outlines objectives, risk tolerance, and guidelines.
- Investment strategies align with the organization's overall financial goals.
- Regular reviews and updates to the investment policy consider changing market conditions and business needs.
- The department follows a clear process to evaluate and approve investment decisions.
- Investment choices are based on comprehensive analysis, including risk assessment and potential returns.
- Investment decisions are documented, including reasoning, analysis, and approval details.
- Investment risks, including market, credit, and liquidity risks, are identified and assessed.
- Ongoing measurement and monitoring of investment risk exposures take place.
- Strategies are in place to mitigate identified investment risks.
- Investments are in compliance with applicable regulations, laws, and internal policies.
- Regular reviews ensure adherence to regulatory requirements.
- Stakeholders receive appropriate disclosures about investment-related risks and performance.
- Regular monitoring of investment portfolios against benchmarks and performance targets occurs.
- Investment performance and results are promptly reported to relevant stakeholders.
- Investment reports are accurate, comprehensive, and easily understood.
- Controls are established to safeguard physical and electronic investment assets.
- Access to investment accounts is restricted and monitored effectively.



# INVESTMENT MANAGEMENT

- Reconciliation procedures ensure alignment of investment holdings with external records.
- A process is in place to evaluate the creditworthiness and reliability of counterparties in investment transactions.
- Documented agreements with counterparties are reviewed and approved.
- Investment valuations adhere to recognized accounting standards and industry norms.
- Fair valuation and accurate pricing of investments are ensured.
- Investment-related documents, contracts, and transactions are properly documented and retained.
- An organized system manages investment-related records for easy retrieval and auditing.
- Ongoing review and enhancement of the internal control environment within the investment officer department occur.
- Lessons learned from discrepancies or incidents contribute to process improvements.



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