INTERNAL CONTROL CHECKLIST

Instructions:

1. This control checklist is designed for use by an elected internal Audit Committee. It is designed to form the basis for transaction testing. It does not replace the need to verify at least a sample of underlying transactions.

2. The checklist is not intended to be used for the purpose of a detailed review of a complicated system of internal controls.

3. The objective of the checklist is to enable the elected Audit Committee to assess whether the Branch maintains at least minimum standards of internal control. The efficiency of the internal control in these situations depends largely on the extent of direct involvement by the Executive on the day-to-day management of the business. Therefore, it is essential to determine the Branch Executive's involvement in each major system. (see last question in each section.)

4. **NOTE THAT INTERNAL CONTROL FOR SMALL BRANCHES IS OFTEN WEAKER AND LESS RELIABLE THAN FOR LARGER BRANCHES. EXPANSION OF AUDIT PROCEDURES MAY BE NECESSARY.**

5. The Internal Audit Committee must be provided with all bank reconciliations for the year for all bank accounts. The internal audit committee will compare the monthly bank reconciliation to the monthly general ledger balance for the bank. The two amounts should be the same.

6. The internal audit committee should sample one cash float and test that it balances.

7. The internal audit committee will check that all furniture, equipment purchased - that they have seen the invoices and the minutes that approved all purchases.

8. The internal audit committee will review all payables. They will look at January and February of the New Year to be sure that any bills paid in these months but which belong to the previous year being audited are included in the accounts payable.

9. The internal audit committee must compare total gross wages to the T4's prepared. The internal audit committee must be given a T4 reconciliation and the payroll records and check that all wages have been t4'd.

10. The internal audit committee must check that the PST and GST are charged on the correct items. Double check the formulas if it is done via Excel sheets. Internal auditors have caught the mistakes in these calculations. If the mistake is done one month - it is easy for the mistake to be repeated as the formulas get copied.

MANAGEMENT CHECK LIST

The Check List is concerned essentially with basic issues of management and policies. The Management Check List is to aid by asking the type of questions that will jolt the Executive into the realization of the need for attention to broader issues.

These question which, based on knowledge of the Branch's weaknesses, are likely to have the greatest impact.

	Yes	No
1. Has the Branch established short term and long-range objectives?	☐	☐
2. Has the Branch established Plans and Policies to achieve these objectives?	☐	☐
3. Does the Branch adopt an annual budget?	☐	☐
4. Does the Branch have the resources to meet current objectives?	☐	☐
5. Does the Branch enable the Executive to foster a high level of performance, discipline and morale?	☐	☐
6. Are channels of communication adequate and are they recognized and used throughout the Branch?	☐	☐
7. Are your present finances adequate and have the sources of your future financial requirements been identified? (state briefly)	☐	☐
8. Does your accounting system provide for the control of actual revenue and expenditure by indicating the location, cause and responsibility for variations from the plan or budget?	☐	☐
9. Is there a competent bookkeeper on staff? Under Contract?		
10. Does the Branch use a computerized accounting system?	☐	☐
11. If so, is the staff knowledgeable in the operation of the computerized system?	☐	☐
12. If computerized, is a back-up copy kept up-dated and off-site? (frequency?)	☐	☐
13. How many members are on the Finance Committee?	☐	☐
a. how often does the Committee meet?	☐	☐
b. do the members of the Committee have financial or business experience?	☐	☐
c. does the Finance Committee review all of the accounts payable, liquor percentages, pull tab percentages, bank balances and other income expenses?	☐	☐
d. how often are these reviews done?	☐	☐
14. Does the Branch sell cigarettes	☐	☐
a. over the counter?	☐	☐
b. vending machines?	☐	☐
c. are proper controls in place?	☐	☐
d. what gross profit percentage are you achieving?	_____	
How effective were the Branch's internal financial controls last year?	_____	
15. Are you satisfied that your interim financial statements are informative and reliable?	☐	☐
16. Are the procedures and controls established by management actually in effect?	☐	☐
17. What improvements can be made in internal control? Are there any significant weaknesses in controlling operations?	☐	☐

	Yes	No
18. Is there too much or too little cash on hand? Why? How is surplus cash invested?	☐	☐
19. Does management have good control over receivables?	☐	☐
20. Are there any significant contingent liabilities not disclosed in the financial statements?	☐	☐
21. What is the Branch's line of credit?	$_____	
22. Is the Branch properly financed? Can you suggest any improvements for the future?	☐	☐
23. Are the Branch's debts at manageable levels?	☐	☐
24. Will the Branch be able to meet future requirements of debt without significant new borrowing?	☐	☐
25. Are funds regularly set aside to pay property taxes?	☐	☐
26. Are property taxes current for year audited?	☐	☐
27. Are we remitting all taxes and other source deductions promptly to the government? Has the Branch incurred penalties for late payments?	☐	☐
28. What percentage of last year's sales increases was caused by		
a. price increases?	_____	
b. volume increases?	_____	
c. new products?	_____	
29. How do gross margins compare with last year? Have any reductions been adequately explained?	☐	☐
30. Does Branch policy have a breakdown of each keg sold?	☐	☐
31. Are earnings subject to wide fluctuations? If so, what explanations are given, are they plausible in all circumstances?	☐	☐
32. How did the current year's results compare to original forecasts? Are the forecasts for next year realistic?	☐	☐
33. Does the Branch have adequate property and liability insurance and director's liability insurance?	☐	☐
34. Did you have any serious disagreements with management on accounting or reporting issues? How were they resolved?	☐	☐
35. Have you had complete access to all documents, books and records that you requested?	☐	☐
36. Were there any barriers to your performance of a full and complete audit?	☐	☐
37. (be specific)	_____	
38. Were there any adjustments and/or recommendations from last year and were they acted on?	☐	☐
39. Do proper controls exist over receipts for and disbursements from the Poppy Fund?	☐	☐
40. Do all cheque signing accounts have the signatories as authorized in the Branch by-laws?	☐	☐
41. Are you going to issues a letter to management this year?	☐	☐

42. Who receives copies? What will be in this letter? _____

Evaluation of Internal Control – Summary

Summarize major weaknesses in internal control, offsetting alternative strong control (such as direct involvement of Executives) and changes in normal audit programs (scope, timing, etc.) if no offsetting control exists.

The weaknesses noted below should be reviewed with the Executive and should form the basis of a management letter if this is required in the circumstances. A management Letter is to give guidance on where the controls can be improved.

System (Receipts, Disbursements, etc.)	Description of Weaknesses	Offsetting Controls	Audit Program Step(s) and related scope reflecting increase in procedures of change in timing

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____