Internal Controls Pack

User Guide & Framework

This guide explains how to use the Internal Controls Pack to design, document and test a robust internal control environment over financial reporting (ICFR) in a small or mid-sized company. It is based on the COSO 2013 framework adapted for SMEs.

1. What's in the pack

• **Internal_Controls_Matrix.xlsx** — risk register, controls matrix, walkthrough log, test plan, results and findings.

• **Internal_Controls_Framework.docx** — editable framework document covering scope, governance, roles and methodology.

• **Internal_Controls_User_Guide.pdf** — this document.

2. Scope and approach

Cover the financial reporting cycles that matter to your business — typically Order-to-Cash (O2C), Purchase-to-Pay (P2P), Payroll, Close & Reporting, Treasury, Tax/VAT and IT General Controls (ITGC). For each cycle: (1) identify risks of material misstatement; (2) document mitigating controls; (3) walk the process end-to-end; (4) test that controls operate as designed; (5) remediate findings.

3. Five COSO components (in plain English)

Component	What it means
Control Environment	Tone at the top, ethics, organisation, competence.
Risk Assessment	Identify what can go wrong in financial reporting and assess likelihood × impact.
Control Activities	Preventive and detective controls embedded in the processes.
Information & Communication	Quality of data and how results are communicated up and down.
Monitoring	Ongoing and periodic reviews — including internal audit and management self-assessment.

4. Step-by-step workflow

Step 1 – Risk Register. Open the Excel file, go to *Risk Register*. Replace the sample risks with risks that matter for your business. Score likelihood and impact 1–5; the workbook calculates inherent score automatically.

Step 2 – Controls Matrix. For each risk, document at least one mitigating control. Mark whether it is preventive or detective, manual or automated, and whether it is a *key* control (the one you'd test).

Step 3 – Walkthrough. For each cycle, walk one transaction from start to finish with the process owner. Confirm controls actually operate. Log gaps in the *Walkthrough Log*.

Step 4 – Test Plan. Decide sampling and frequency for each key control. Typical samples: 25 items quarterly for high-frequency controls, 100% for low-frequency.

Step 5 – Test Results. Re-perform or inspect evidence. Record pass/fail and reference the evidence (file path, ticket, screenshot).

Step 6 – Findings & Remediation. Log every exception. Assign an owner, severity (H/M/L) and due date. Track to closure.

Step 7 – Reporting. Summarise status to the board / audit committee at least quarterly: number of key controls, % tested, % passed, open findings by severity and age.

5. Recommended cadence

Activity	Frequency	Owner
Update risk register	Annually + on change	CFO / Controller
Refresh controls matrix	Annually	Controller
Walkthroughs (per cycle)	Annually	Controller
Key control testing	Quarterly	Controller / Internal audit
User access review (ERP, bank)	Quarterly	IT / CFO
Findings status to management	Monthly	Controller
Report to board / audit committee	Quarterly	CFO

6. Definitions

Preventive control – stops an error or fraud from happening (e.g. approval limit, system block).

Detective control – finds an error after it has happened (e.g. reconciliation, exception report).

Key control – the most important control(s) you'd rely on if everything else failed; these are tested.

Walkthrough – tracing one transaction through the process to confirm the control design.

Sample – a subset of transactions selected for testing using statistical or judgmental sampling.

Remediation – the action plan to fix a control deficiency, with owner and due date.

7. Pre-distribution checklist

■ Risk register reviewed and signed off by CFO

■ All key controls have an owner and a documented description

■ Walkthroughs completed for every in-scope cycle

■ Test results recorded with evidence reference

■ Open findings have owner, severity and due date

■ Quarterly summary prepared for board / audit committee

Disclaimer

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