

# Controls Testing

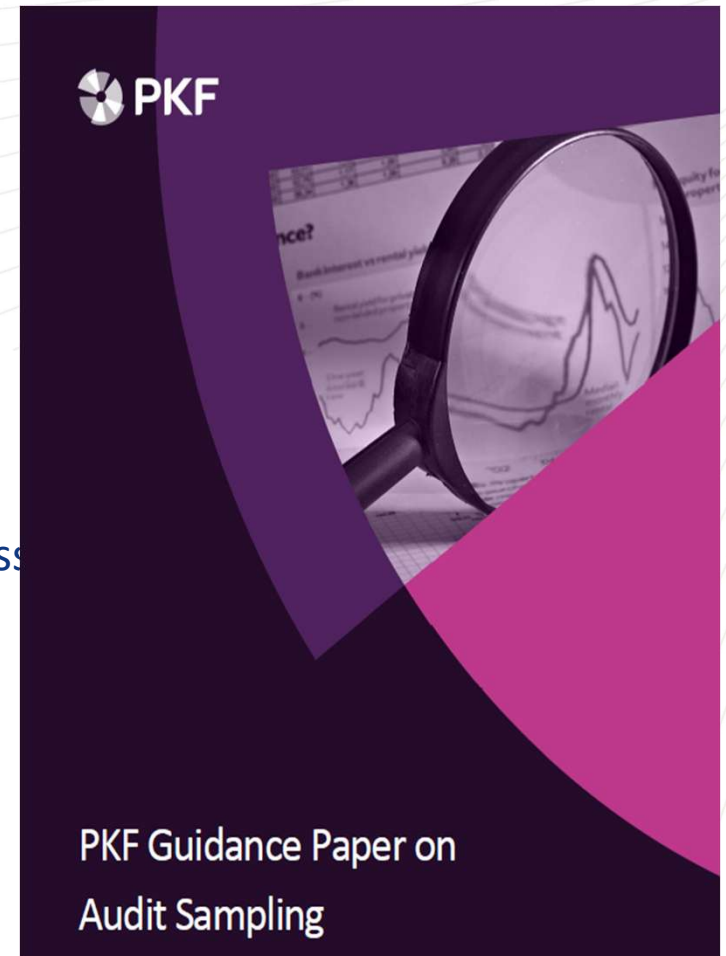
October 2025



# Agenda

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- Comments from 2024 work papers.
- Identifying the problem?
- Control Testing templates, where to find?
- When to perform Control Testing?
- How to perform Control Testing?
- How to perform Sampling for testing Operating Effectiveness



## Comments from 2024 workpapers:

Not documenting  
proper Supports for  
Testing

Documenting Process  
instead of Controls.

Proper walkthrough  
documentation of  
process is missing.

Incorrect Sample size  
selection

Conclusion not  
documented

# Control Testing Templates: Where to find?

The screenshot displays a 'Knowledge' portal with a sidebar and a main content area. The sidebar on the left includes a search bar, 'Favorites' (Welcome Sam Ch.), and a 'Workspace' tree. The 'Workspace' tree shows a hierarchy: 'AUDIT' > 'Resources' > 'CPA Resources' > 'Public Sector Accounting' > 'Risk Assessment' (highlighted). The main content area is titled 'Risk Assessment' and contains three sections: 'Control Matrix', 'Walkthrough', and 'Control questionnaire'. Each section lists a template with a download button. Red checkmarks are drawn next to the first two templates.

**Knowledge** Home Search

Search an article... Q

**Favorites**  
Welcome Sam Ch.

**Workspace**

- PCS
- AUDIT
  - Resources
    - CPA Resources
      - Accounting
      - Assurance
      - Public Sector Accounting
      - Public Sector State...
      - Management's Dis...
    - Bermuda Regulation
  - Audit Templates
    - Planning
    - Risk Assessment**

**Risk Assessment** Risk Assessment

New Share

## Risk Assessment

### Control Matrix

- Control matrix Template -Exapmle with Going Concern.xlsx XLSX [Download](#) ✓

### Walkthrough

- Walkthrough - Example.xlsx XLSX [Download](#)
- Walkthrough - Template.xlsx XLSX [Download](#) ✓

### Control questionnaire

- Control questionnaire.docx DOCX [Download](#)

JET

Phase	Objective	Key Questions	Testing Procedures
<b>1. Design &amp; Implementation (D&amp;I) Testing</b>	To confirm that the control is <b>properly designed</b> to prevent or detect misstatements and that it has been <b>put into operation</b> .	<b>Design:</b> Is the control conceptually capable of meeting its objective? <b>Implementation:</b> Does the control exist and is it used by the intended personnel?	<b>Walkthroughs:</b> Trace one or a few transactions through the entire process. <b>Inquiry:</b> Ask the control owner how they perform the control. <b>Observation:</b> Watch the control owner perform the control. <b>Inspection:</b> Review the policy or procedure document.
<b>2. Operating Effectiveness Testing</b>	To confirm that the control is <b>functioning as intended</b> (i.e., consistently and correctly) over a sustained period.	<b>Effectiveness:</b> Was the control performed <b>consistently</b> by the appropriate person throughout the period? Was there evidence of review/approval?	<b>Sampling:</b> Select a statistical or judgmental sample of transactions based on the control's frequency. <b>Reperformance:</b> Independently execute the control to see if the same result is achieved. <b>Inspection:</b> Examine evidence (e.g., sign-offs, system logs, approval emails) for the sample.

# When to perform Control Testing?

Assertion and assessed risk	Sampling implications
FSLI or areas identified with RMM as <b>Significant</b>  NM, (RMM – Significant)	It is <b>Mandatory</b> to perform Design and Implementation Control testing for Significant Risk Areas
Assertions in <b>material areas</b> with the risk of material misstatement assessed as <b>low</b> M, (RMM – high)	Control Testing can be performed for areas with high RMM, to reduce our samples for Substantive Testing

## ***How to document walkthroughs: Theory***

Understanding concepts using Control documentation file  
(Theory)

***Refer “Control Testing File”***



## *Difference between Process Vs Controls*



## Quiz 1?

What is the primary objective of performing a walkthrough of an internal control?

- A) Identify process inefficiencies for optimization
- B) Determine the **operating effectiveness** of a control
- C) Document the understanding of the process design
- D) Assess the risk of material misstatement at the financial statement level.

## Quiz 2?

Testing a control involves two main aspects: design and effectiveness. Which of the following is tested when assessing *operating effectiveness*?

- A) Whether the control is conceptually capable of preventing or detecting misstatements.
- B) Whether the control is **consistently applied** throughout the period by the correct personnel
- C) Whether management has implemented a control for every significant risk
- D) Whether the control is relevant to a specific assertion.

## Quiz 3?

When testing an automated control, a typical testing approach would involve All members have the same probability of selection

- A) Extensive sampling of transactions throughout the year.
- B) Only inquiring of the control owner.
- C) Testing a **single IT General Control (ITGC)** over program changes and system access.
- D) Reperforming the control on multiple transactions.

# Thank you

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