Example: Risk framework for financial statements

Foreword:

Acknowledging that each entity has its own framework for risk management, the following example provides guidance for implementing a targeted risk management approach for financial statements development and assurance activities, to support the validity, accuracy and completeness of the accounts and balances.

This example provides a platform for formulating entity-specific risk-based policy and processes for assessing financial statement risk and reconciling and analysing all balances and accounts to reduce the risk of material misstatement, restatements and systemic internal control issues.

The risk based financial statement assurance framework is addressed in four sections:

1. Financial statement line item risk analysis framework
2. Preventative controls: Pre month-end assurance framework
3. Detective controls: Post month-end assurance framework, and
4. Financial statements project risk management plan.

Purpose

The purpose of this guidance is to:

- outline the principles that are involved in applying an effective risk-based approach to assurance activities that support the validity, accuracy and completeness of the accounts and balances reported in the entity's financial statements
- support the effective implementation and supervision of a risk-based assurance framework by focusing on risks and mitigation measures
- support the development of a common understanding of what a risk-based reconciliation and analysis process entails, and
- formalise a risk-based policy for assessing financial statement risk, reconciling and analysing all balances and accounts, to reduce the risk of material misstatement, restatements and systemic internal control issues.

The framework should align with the entity's risk management policy, risk appetite and approach to managing risk.

Whilst it is essential to identify those risk activities that require additional treatments to reduce the risk to an acceptable level, it is equally important to highlight areas where excessive controls are in place which can be redesigned, reduced or removed without significantly impacting on outcomes.

1. Risk analysis framework for financial statement line items

A risk analysis framework establishes the analysis required for each financial statement line item and accompanying notes to:

- assist in the prioritisation of resources, and
- to determine is sufficient controls are in place to mitigate the risk of material misstatement, to an acceptable level (without being excessive), to achieve necessary outcomes.

Risk management practices and processes

The entity should adopt best practises that formalise a policy for the risk assessment, based upon a number of factors, including the complexity of the statements and the maturity of the process. The process should include:

- a regular cycle for reviewing financial statement line item risks
- reporting to governance committees, and
- a standard format, detailed analysis and information against each account.

Risk assessment steps

The following are four practical steps for assessing financial statement line item risks:

1. Conduct an inherent risk assessment for each financial statement line item that considers:
   - materiality and the volume of transactions
   - operating environment
   - reporting requirements
   - level of judgement
   - reliance on third party data
   - manual intervention and disparity of data source
   - system changes, and
   - prior year audit/independent reviewer issues.
2. Conduct a residual risk assessment for each financial statement line item taking into account the pre and post month-end assurance framework and identification of other existing mitigating controls.
3. Determine required treatments, having regard to the entity's risk appetite.
   - Whilst it is essential to identify those risk activities that require additional treatments to reduce the risk to an acceptable level, it is equally important to identify activities where existing controls may be excessive and could be redesigned, reduced or removed without significantly impacting on the outcomes.
4. Summarise the risk ratings to give an overall view of the reporting risk for financial statement line items and assign a risk owner.

A risk analysis template is included at **Attachment A**.

2. Preventative controls: Pre month-end assurance framework

An effective system of internal control helps prevent material misstatements, errors and fraud. The entity should adopt best practices that control system access, security, procurement, payment of invoices, receipting and segregation of duties.

In addition, the entity should adopt a risk-based manual control framework to prevent material errors going undetected and incorrect financial information being reported. This includes:

- journals being prepared and reviewed by two separate officers prior to posting
- processing the reversal of all accrual journals at the beginning of each month and re-accrual, as appropriate
- establishing a hierarchy of journal endorsement, such as:
  - director endorsement for journals larger than an appropriate specified amount, and
  - CFO endorsement for:
    - journals directly affecting equity, and
    - journals larger than an appropriate specified amount.

These controls combined with other pre-month end assurance processes are essential for preventing, identifying and correcting errors before the general ledger closing. To improve the accuracy, veracity and usefulness of the monthly management reports and reduce the need for post-close adjustments, the entity should adopt a pre-month end assurance process that includes financial statements team directors undertaking:

- a review of the reasonableness of the entity's and administered financial statements (revenue, expense, assets, liabilities and equity) prior to the general ledger closing
- substantive testing (if large, unusual, complex or non-recurring items were identified to have material impact on period-end closing balances)
- investigation and further analysis where the movement is not considered reasonable when comparing:
  - actuals to budget (greater than X% or $X million variance to revised budgets)
  - monthly movement (greater than X% or $X million variance to expectations)
  - negative accounts, and
  - relationship to other items and external information.
- correction of all identified material errors prior to the general ledger closing.

3. Detective controls: Post month-end assurance framework

Account reconciliations and analytics are the primary tools for detecting misstatements and internal control issues.

To complete the account reconciliations within the required time frames, with the requisite levels of quality and analysis, the entity should adopt best practices that formalise a policy for appropriate director/s in the financial statements team to reconcile and review all accounts, including:

- Undertaking a risk assessment of all accounts to determine a risk rating. Accounts that have a higher inherent risk of material misstatement should then be subject to more frequent reconciliations, analytical procedures, substantive testing and peer review to reduce risks to an acceptable level.
- Completing assessments to identify opportunities to redesign, reduce or remove compliance activities without significantly impacting on the outcomes.
- Adopting a cycle for reconciling, analysing and testing accounts based upon the risk as outlined at Figure 1.
- Requiring reconciliations to be prioritised, based upon risk and variance thresholds, with all reconciliations due for completion by the 10th working day of the subsequent month.
- Using a standard format and analysis for information against each account.
- Assigning one preparer and one reviewer to each account with each person understanding the: business activities; key drivers; purpose; source of documentation; and analysis to obtain a reasonable level of assurance over the account balance and reduce the risk of misstatement to an acceptable level.
- A review of the inherent risk assessment and mitigating controls where there are indications that the nature, materiality or risk profile of the account may have changed.

Figure 1: Risk-based account reconciliation and analysis risk matrix for line item accounts

Assurance process	INHERENT RISK		
	Low risk	Medium risk	Higher risk
Process and Frequency	**Quarterly (minimum every 3 months)**	**Bi-monthly (minimum every 2 months)**	**Monthly**
Account reconciliation	Reconciliation to sub-ledgers and supporting documentation.		
Analysis	Analysis based upon: • actuals to budget (original and revised budgets) • trend analysis • comparison to prior year results • monthly movement, and • relationship to other items and external information.		
Substantive testing	Review: • large items (e.g. five times the average) • unusual items (such as debits in credit accounts, round multiples, no descriptions, weekend/holiday postings), and • complex or non-recurring items. Except where 95% of the balance is covered by this review, a random sample of transactions should be tested for completeness, accuracy and validity. The sample size should be determined and selected in line with the entity's sampling guide to achieve 95% confidence across the full year's transactions. This includes two-way testing, cut off testing, system entries and journal testing as appropriate.		
Risk review	Review the nature, materiality, risk existence, effectiveness and frequency of mitigating controls to ensure that the residual risk is reduced to an acceptable level and that controls are not excessive.		

Note: All accounts must be reconciled and analysed for hard close and 30 June statements.

4. Financial statements project management risk plan

A risk analysis for the financial statements project assists to prioritise resources and determine whether there are sufficient controls in place to mitigate the risk of project non-delivery, to an acceptable level. The entity should adopt best practises that:

- formalise a policy for the risk assessment based upon the entity's risk management framework
- adopt a regular cycle for reviewing financial statement project risks and reporting to governance committees, including consideration of the:
  - planning and preparation of the financial statements
  - reporting and publishing the financial statements
  - ownership and commitment
  - risk management practices and internal controls
  - financial reporting practices throughout the year
  - relationships between key stakeholders
  - staff and resource management
  - shared service arrangements
  - changes to systems or the operating environment, and
  - Whole-of-Government responsibilities.
- following four practical steps:
  1. Conduct an **inherent risk assessment** for project delivery.
  2. Conduct a **residual risk assessment** for project delivery that takes into account existing mitigating controls (for steps 1 and 2, also see Example— Risk analysis of financial statements)
  3. Determine **required treatments** having regard to the entity's risk appetite.
  - Whilst it is essential to identify those risk activities that require additional treatments to reduce the risk to an acceptable level, it is equally important to identify activities where existing controls may be excessive and could be redesigned, reduced or removed without significantly impacting on the outcomes.
  4. **Summarise the risk ratings** to give an overall view of the reporting risk for financial statement line items and assign a risk owner.

Attachments

To facilitate the implementation of a risk-based financial statement assurance framework, the following templates and guidance are provided:

Attachment A – Risk analysis template

Attachment B – Application of reconciliation risk matrix

Attachment C – Checklist of monthly processes

Attachment D – Assurance process guidance

[Title] Risk analysis

Risk analysis: 20XX-XX Financial Year

Financial Statement Item: (Reference/Note number & Line Item Name)

			TARGET RISK RATING - LOW
Inherent Risk			
Risk Factor	**Key Factors**	**IR**	**Analysis**
Materiality and volume of transactions	• Percentage of line item and totals • How significant is this item to users? • How material are individual transactions? • Are there a large number of low value items or a small number of large value items? • Is this item material by nature?	LOW/ MED/ HIGH	
Operating environment	• Are there any legislative or regulatory changes? • Are there significant budget constraints or other financial pressures? • Are there any changes in the key cost/revenue drivers? • Are there plans to outsource services or move to a shared service arrangement? • Is there likely to be any new significant contracts/arrangements entered into during the financial year? • Are there any changes to accounting processes? • Is there anything else that may impact on the operating environment?		
Reporting requirements	• Are there any complex or new accounting arrangements? • Are there significant compliance issues?		
Level of judgement	• Do the items require considerable judgement? • Do the items require estimates, specific knowledge of the item or accounting standards?		
Reliance on third parties	• Is the accuracy of data reliant upon others outside of financial accounting area/unit? • Does experience support the provision of accurate and timely data?		
Manual intervention and disparity of data source	• Is the level of manual intervention to initiate, record, process or support the transactions significant? • Can data be easily accessed?		
System changes	• Are there new/significant changes to systems or feeder systems?		

Other issues	• Have there been significant internal or external audit issues raised? • Is there any evidence of significant internal or external fraud? • Have any system internal control issues been identified? • Has an independent review been conducted?		

INHERENT RISK – LOW / MEDIUM / HIGH

Effect of Controls

Provide details of existing controls including: general environmental controls; preventative controls; and detective controls.

Controls	Manual	System
Preventative		
Detective		

System based, preventative controls are generally more efficient and effective than detective, manual controls.

Residual Risk

[Identify the consequence and likelihood of the risk occurring after the controls are taken into account.]

RESIDUAL RISK – LOW / MEDIUM / HIGH

Evaluation - Residual Risk vs Target Risk Rating

Compare the residual risk to the target risk rating. Controls should be proportionate to risk.

- Residual risk > target risk rating, or
- Residual risk < target risk rating, or
- Residual risk = target risk rating

Treatment

[Identify if there are:

- risks to be accepted, avoided, transferred, shared or treated
- treatments that need to be put into place to reduce the likelihood or severity of a threat and reduce the risk rating to an acceptable level
- excessive controls in place which can be removed, redesigned or reduced without significantly impacting on outcomes or increasing risk to an unacceptable level
- manual controls that could be replaced with system controls
- preventative controls that could be implemented that would reduce the need for detective controls.]

Detail what action is to be taken by when and assign a risk owner.

RESIDUAL RISK – LOW / MEDIUM / HIGH

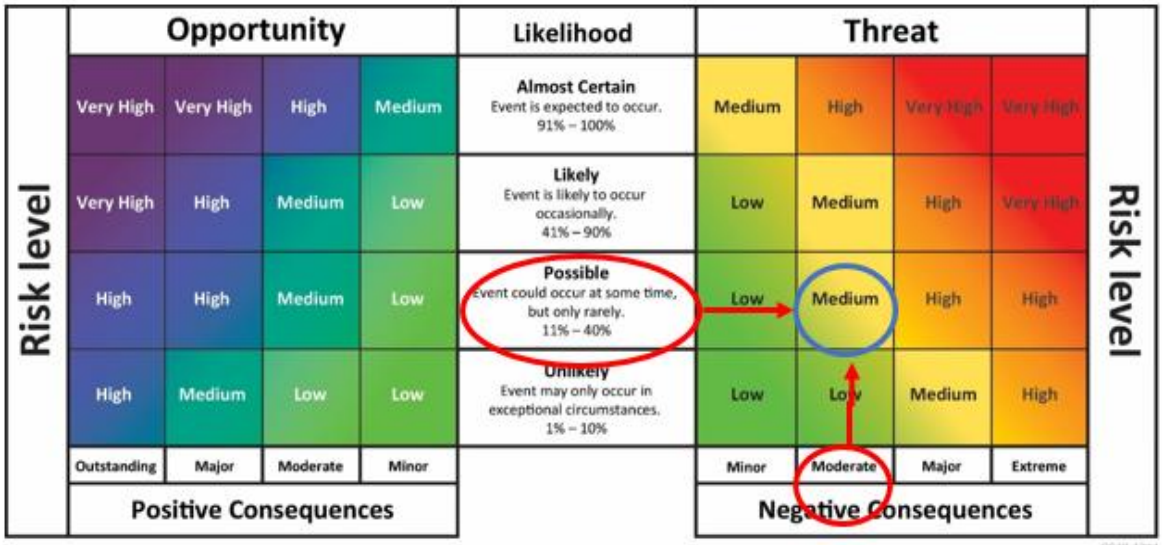
Key Controls

Analysis of key controls

Provide details of existing controls including: general environmental controls; preventative controls; and detective controls.

Residual Risk Summary:

[Identify the existing controls and determine the consequence and likelihood of the risk occurring to assess the risk rating. When completing this risk assessment, use the department's Risk Assessment Matrix to determine both inherent and residual risk rating. The risk rating is where the likelihood row and consequence column intersect.]



Overall Residual Risk:

Proposed Treatments:

[Identify the level of acceptable risk to align with the department's Risk Tolerance and Escalation Table.]

Tolerance and Escalation – incorrect references

OPPORTUNITY RISK LEVEL	Rating	Tolerance	Escalation channel and risk owner	Tolerance	Rating	THREAT RISK LEVEL
	Very high	Desirable	The Secretary to be briefed by the Deputy Secretary. Immediate action required.	Unacceptable	Very High	
	High	Desirable	To be addressed by the Deputy Secretary as a matter of planning priority.	Unacceptable	High	
	Medium	Modest	To be addressed by the General Manager or SRO (for projects).	Tolerable	Medium	
	Low	Negligible	To be addressed by the National Manager, Service Leader or Project Manager (in the case of projects) in the ordinary course of management.	Acceptable	Low	

Risk analysis template - Attachment A

[Controls should be proportionate to risk. Identify if there are:

- risks to be accepted, avoided, transferred, shared or treated
- treatments that need to be put into place to reduce the likelihood or severity of a threat and reduce the risk rating to an acceptable level
- excessive controls in place which can be removed or reduced without significantly impacting on outcomes or increasing risk to an unacceptable level
- manual controls that could be replaced with system controls, and
- preventative controls that could be implemented that would reduce the need for detective controls. Detail what action is to be taken by when and assign a risk owner.]

Application of reconciliation risk matrix - Attachment B

Table B1: Application of reconciliation risk matrix to the entity's Balance Sheet line items

Balance sheet item	Note Ref	Ownership of Line Item Analysis	20X2-X3 Original budget $'000	20X1-X2 $'000	% of 20X2-X3 Original Budget	20X2-X3 Inherent Risk
Cash	B1					
Trade and other receivables	B1.1					
• Trade and other receivables	B1.1					
• Appropriation receivable	B1.1					
Total financial assets						
Land and Buildings	B2.1 & B3					
Property, Plant & Equipment	B2.1 & B3					
Software	B2.1					
• Purchased computer software						
• Internally developed software						
Prepayments	B2.2					
Total non-financial assets						
Supplier payables	B4.1					
• Trade Creditors						
• Accruals						
• Operating lease rental						
Employee benefits						
Lease incentives	B4.3					
Other payables	B4.4					
• FBT payable						
• Unearned Revenue						
• Accrued Competitive Neutrality payments						
Total payables						
Employee provisions	B5.1					
Other provisions	B5.2					
• Property make good provisions						
• Surplus lease space provisions						

Total provisions						

Table B2: Application of analytical review risk matrix to entity's Income Statement line items

Income Statement Item	Note Ref	Ownership of Line Item Analysis	20X2-X3 Original budget $'000	20X1-X2 $'000	% of 20X2-X3 Original Budget	20X2-X3 Inherent Risk
Employee benefits	A1.1					
Supplier expenses	A1.2					
Depreciation and amortisation	B2.1					
Write-down and impairment of assets	B1.1 & B2.1					
Other expenses	A1.3					
Total expenses						
Rendering of goods and services						
Rental income						
Other Revenue						
Total own-source revenue						
Reversals of previous asset write-downs and impairments	B1.1 & B2.1					
Resources received free of charge	A2.1					
Other gains						
Total gains						
Revenue from government	A2.2					
Changes in revaluation surplus (part of changes in Equity)	B2.1 & B5.2					

Application of reconciliation risk matrix - Attachment B

Table B3: Application of reconciliation risk matrix to the Administered Balance Sheet line items

Balance sheet item	Note Ref	Ownership of Line Item Analysis	20X2-X3 Original budget $'000	20X1-X2 $'000	% of 20X2-X3 Original Budget	20X2-X3 Inherent Risk
Cash	B6.1					
Program XXX receivables	B6.2					
Other receivables	B6.3					
Investment	B7.1					
Total financial assets						
Program XXX and other payables	B8.1					
Program XXX payments received in advance						
Total non-financial assets						
Program XXX provisions	B9					
Total provisions						

Table B4: Application of analytical review risk matrix to the Administered Income statement line items

Income Statement Item	Note Ref	Ownership of Line Item Analysis	20X2-X3 Original budget $'000	20X1-X2 $'000	% of 20X2-X3 Original Budget	20X2-X3 Inherent Risk
Program XXX maintenance expense						
Write-down and impairment of assets	A3.1					
Other expenses	A3.2					
Total expenses						
Program XXX maintenance revenue						
Competitive neutrality revenue						
Fees and fines						
Dividends						
Other revenue						
Total non-taxation revenue						
Reversals of previous impairment	A4.1					
Total gains						
Gain on investment	B7.2					

Application of reconciliation risk matrix - Attachment B

Table** B5: **Application of analytical review risk matrix to other items disclosed in other statements and notes

Other Statements and Notes	Note Ref	Ownership of Line Item Analysis	20X2-X3 Inherent Risk	Frequency
Departmental Commitments	A1.2 & B2.1			
• Operating leases				
• Capital				
Departmental Appropriations Note	C1			
Administered Appropriation Note	C1			
Special Accounts	C2			
Regulatory Charging	C4			
Contingent Assets and Liabilities	D1			
Restructure Note	D2			
Senior Management Personnel Remuneration	D6			
Related Party Disclosure	New Note			

Risk-based financial statement assurance framework

Table C1: Pre-month-end process—all accounts

Step	Process	No	Yes
1	Does reasonableness review (actuals against budget; monthly movements) indicate unusual and/or large movements that requires investigation?	No further action required	Go to Step 2
2	Have the key drivers for monthly unusual/large movements been identified and has enough comfort been obtained over the month end balances?	Go to Step 3	Go to Step 3
3	Undertake substantive test for large, unusual, complex or non-recurring items, or if necessary sample a selection of transactions.	Go to Step 4	
4	Were there any identified material errors?	Go to Step 6	Go to Step 5
5	Correct all identified material errors prior to the general ledger closing.	Go to Step 6	
6	Has the movement been adequately explained?	Go back to Step 2	completed

Checklist of monthly processes - Attachment C

Table C2: Post-month-end process – all accounts

Step	Process	Outcome
1	Is monthly assurance work for this line item due?	Follow the steps below:
2	Undertake analytical procedures: • actuals to budget (original and revised budgets) • comparison to prior year results • monthly movement • trend analysis, and • relationship to other items and external information.	• Explain variances between current year's actuals with budget estimates and prior year's actuals. • Identify key drivers for monthly movement. • Update changes to the nature of this account. • Identify relationship to other items and external information to obtain additional assurance.
3	Undertake substantive testing: • sample method • sample size • testing method (e.g. substantive testing, cut-off testing, two way testing), and • document results.	• Document action plan if errors were identified. • Take follow-up actions with the relevant finance manager or business owner to ensure these errors are rectified in a timely manner. • Escalate as appropriate.
4	Check and ensure all reconciliations to sub-ledgers and supporting document are properly prepared and submitted on time.	Follow-up with responsible team(s) if the GL reconciliation doesn't meet expectations.
5	Conduct a risk review.	Review the nature, materiality, risk existence, effectiveness and frequency of mitigating controls to ensure that the residual risk is reduced to an acceptable level.
6	Re-assess the inherent risk based on additional information obtained during month end assurance work.	Consider if there are indicators that the nature, materiality or risk profile of the account may have changed. Adjust the reconciliation schedule accordingly and consider if the controls are proportionate to the risk.

Risk-based financial statement assurance process guidance

Analytical procedures

Analytical procedures involve analysing movements, significant ratio, trends and relationships for unusual change and questionable items. Analytical procedures include:

- comparing actuals to budget
- comparing current year results to prior year results
- analysis of monthly movements
- ratio and trend analysis
- analysis of segments
- evaluating logical relationships between financial items (e.g. payables to expense; receivables to revenue; property operating costs to land and buildings; maintenance costs to assets)
- aged trial balance analysis (receivables/payables/open purchase orders)
- consistency with other business or environmental information and documents (minutes, contracts, legal claims, correspondence etc.)
- analysis of payroll costs to staff numbers (average cost and movement in average costs across years)
- analysis of leave provisions to staff numbers
- comparing the daily payroll cost to the accrued payroll cost at period end
- compare the number of child support cases and average cost per case to budget, and
- consider competitive neutrality and dividend revenue as a proportion to operating revenue/surplus as appropriate.

Substantive Testing

Substantive testing provides assurance that:

- the transaction occurred/balance exists and is valid
- the transaction/balance has been recorded in the correct period
- the value of the transaction or balance is correct and can be realised
- complex calculations are accurate
- judgement is sound and supported by expert and independent advice as appropriate
- the accounting standards have been interpreted and applied correctly, and
- costs are appropriately classified.

Review large and unusual Items - depending upon the nature of the balance this might include reviewing:

- transactions above a stated threshold
- debits in revenue accounts/credits in expense accounts

- transactions with unusual descriptions
- large transactions or adjustments just before or after month-end
- transactions having a high degree of management involvement or judgement
- aged transactions or balances
- items that have been re-accrued a number of times
- recomputing large complex transactions, and
- items that appear to be processed outside the normal course of business.

Substantive testing should be applied to large and unusual items and aims to provide assurance that transactions and balances are not materially misstated.

Substantive testing may involve:

- tracing a transaction from the source documentation to the ledger to ensure that it has been correctly recorded
- tracing a transaction from the ledger back to the source documentation (such as an invoice or a receipt) to confirm that the transaction occurred
- subsequent receipts review
- third party confirmation procedures (e.g. debtors and cash)
- observation (e.g. sighting of assets and surplus lease space; electronically “pinging” assets)
- re-computation (accruals and deferrals, lease expenses, surplus lease space etc.)
- substantiation of asset additions and disposals (e.g. tracing asset disposals to sales proceeds, third party confirmation with sellers)
- confirming if the cost is correctly classified as operating or capital
- management confirmation regarding impairment and rework, and
- reviewing bond rates, superannuation rates and salary growth rate assumptions.

Cut off testing

Cut off testing provides assurance that revenue and expense is recorded in the correct period and may comprise of analytical procedures and substantive testing. Depending upon the nature of the account this may include:

- comparing the daily payroll cost to the accrued payroll cost at period end
- comparing the relationship between accruals and deferrals to expense and revenue
- analytical procedures that support the reasonableness of a balance or relationship with another item
- testing a sample of invoices recorded in the general ledger five days before/after month end
- taking a random sample of transactions and tracing back to source information (e.g. invoices, good receipt, deposits etc.) and verifying that the amounts have been recorded in the correct period.

Table D1: Balance Sheet Reconciliation Analysis – testing guide (example)

Test	Test Procedure	Completed	Result examples	Further action required
1	Reconcile the sub-ledgers and provide supporting documentation.	Yes	The accounts were reconciled to third party confirmations. There were no exceptions identified. These are signed as prepared and reviewed.	No
2	Prepare an analysis of actuals to budget and document results.	Yes	Refer XXXX. No unusual movements are noted. The main variance to budget reflects the actual closing balance at 30 June 20XX.	No
3	Prepare an analysis of actuals to prior results.	Yes	Refer XXXX. Movements between years are X% and mainly reflect: An increase in xxx based on xxx A reduction of xxx due to xxx (Note: the key is to understand what drives the variance.)	No
4	Is the analysis for any other related items or external information consistent with the movements in this account?	No	Employee provisions have increased by a proportionate percentage consistent with employee expenses reflecting the increase in staff numbers. Average salaries have increased from 20XX-XX by X% reflecting the pay increase awarded in July 20XX. The X% movement in superannuation expense for defined benefit plan is not consistent with movement in PSS/CSS rates of X%. Further investigation is required.	Yes
5	Are there any unusual movements that require explanation?	Yes	The change in the bond rate from X% to Y% resulted in a $Xm adjustment in October.	No
6	Please comment on other trends.	NA	No other significant trends noted.	No

Test	Test Procedure	Completed	Result examples	Further action required
7	Have large (five times the average), unusual (such as debits in credit accounts, round multiples, no descriptions, weekend/holiday postings), complex or non-recurring items been investigated?	Yes	The average transaction is $X million therefore transactions greater than $XX million were substantively tested w/p XXX refers. QTY items were reviewed back to source documentation and tested for accuracy and validity. No issues were noted. The transaction list for the last two months was scanned for unusual items. Results of that testing are provided at work paper XXXX. All credit items were investigated. Two items valued at $XXXX required adjustment. A journal has been processed (ref: xxx).	No
8	Has substantive testing of a random sample of transactions been undertaken (60 transactions over the course of the year)? The substantive testing will be dependent on the line item. Example of testing which could be applied to supplier expense: • Has the goods receipt been documented appropriately on the invoice? • Is the invoice expensed to the correct general ledger account? • Is the expense recorded in the correct period? • Does the amount on the invoice agree to the general ledger?	Yes	The sample was randomly selected by using transaction identifiers and a random number generator. The results are provided at work paper XXX. The following issues were noted: XXX Action required: Journals need to be processed by xxx (prior to period close).	Yes
9	Did the substantive testing include cut off, two way, journals and systems transactions?	Yes	The entire population of transactions was included in the sample.	No

Test	Test Procedure	Completed	Result examples	Further action required
10	Has a risk review been undertaken? This should have regard to: • the nature of the account • materiality • risk, and • effectiveness and frequency of mitigating controls.	Yes	The nature of the account balance has not changed since the original risk assessment was undertaken. Given the minor variance to budget and prior year figures and absence of significant issues there is no reason to change the inherent risk rating from medium and the controls in place are sufficient to reduce the residual risk to an acceptable level.	No
11	Do you consider the controls excessive? That is, could they be reduced without significantly changing the outcome? Are there any steps or processes that are unnecessary? Are there any detective controls that could be replaced by preventative controls?	Yes	The analysis is being undertaken monthly. Given the absence of any other risk factors it is recommended the frequency of this analysis be undertaken bi-monthly in accordance with the framework. A pre-month end review of transactions would enable errors to be identified and corrected prior to month end. Targeted training could improve accuracy of coding.	Yes