Welcome to this learning area overview for Internal Control and Accounting Systems, prepared by AAT.

In this overview we’ll explain what Internal Control and Accounting Systems is all about, and how it fits into the bigger picture of the AAT Accounting Qualification.

We’ll explore the main topics you can expect to cover, and how the knowledge and skills you’ll pick up will be of practical use to you in the workplace.

Finally, we’ll explain how this learning area relates to the others you’ve already studied, and those you’ll study in the future.

What you’ll learn in Internal Control and Accounting Systems

In Internal Control and Accounting Systems you’ll learn how to identify good accounting systems. You’ll learn how to review and evaluate record keeping and internal control systems, identify areas of weakness and judge how vulnerable an accounting system is to fraud.

You’ll then be able to make justifiable and costed recommendations for improvement, and show that you can report formally on your findings.

There are eight main topics in Internal Control and Accounting Systems.

The first is record keeping systems, including the purpose of financial reports and how well the organisation’s current reports meet its needs.

The next topic covers internal systems of control. You’ll examine how internal controls support the accounting system, the types of control that are in place and any that may be missing.

The third topic looks at the various implications of fraud and how to prevent it. You’ll develop an awareness of the causes of fraud; common types of fraud; what methods to use to detect fraud; and potential areas for fraud within the organisation.

The fourth topic is concerned with working methods and practices. For example, you’ll learn how to evaluate computer software, and the organisation’s operating methods in terms of reliability, speed and cost effectiveness.

You’ll learn about training within an organisation in the fifth topic, developing your knowledge about how it can be used to support staff.

Topic six covers weaknesses. Once you’ve reviewed a system you should be able to identify its weaknesses, explain them clearly and outline what impact they could have on the organisation.

Following on from weaknesses, the seventh topic will see you recommend improvements to eliminate those weaknesses.

For each weakness you highlight you should provide a corresponding recommendation for improvement, concentrating on the effect they would have on both the organisation as a whole and individual members of staff. For example, your recommendations might include training needs or aids to improve staff performance.

The eighth and final topic concerns the cost benefit analysis. At least one of the recommendations you make should be subject to a cost benefit analysis. While not all benefits are quantifiable, all costs are – and you should make any necessary assumptions or “guesstimates” to allocate costs to such items as time, unknown salaries, or any other unknown expense involved in your recommended changes.

You should identify all benefits, including those for which you can’t allocate a financial figure. Such benefits can include things like improved customer relationships, improved documentation systems or staff morale.
How Internal Control and Accounting Systems will help you in the workplace

The skills you gain in Internal Control and Accounting Systems are used in many accounting roles. They include accounts office supervisors, accounting technicians working on clients’ systems, credit control managers, internal audit assistants and any other accounts role where an ad hoc task of reviewing systems is needed.

For example, you might have a client who asks you to set up a new accounting system. In such a case you’d need to be able to consider record keeping systems, internal control and how to reduce the possibility of fraud.

Or you may be asked to review an existing accounting system, or a part of that system, which would mean you’d need to consider the points we’ve mentioned here and make recommendations for improvements.

How Internal Control and Accounting Systems relates to other learning areas

In addition to Internal Control and Accounting Systems, you’ll need to take three other compulsory learning areas at level 4. These are:

- Financial Statements
- Budgeting
- Financial Performance.

There are also four optional learning areas at level 4, of which you’ll need to take two:

- External Auditing
- Credit Management and Control
- Personal Tax
- Business Tax.

Internal Control and Accounting Systems relates very closely to some of the compulsory and optional learning areas at this level.

You’ll need a good knowledge of financial statements to ensure you can review the record keeping systems in an organisation.

Both budgetary control and financial performance are areas of accounting systems that you might need to review in order to identify weaknesses that need improving.

The optional areas of External Auditing and Credit Management and Control relate very closely to Internal Control and Accounting Systems.

Auditing can highlight weaknesses in internal control systems, while examining credit management can expose vulnerabilities which your recommendations may be able to improve.

Internal Control and Accounting Systems also follows on from the level 2 learning area, Working Effectively in Accounting and Finance. This is because you’ll need to be able to communicate the findings of your review effectively in a written report.

Internal Control and Accounting Systems also builds upon Basic Accounting at level 2, and Accounts Preparation at level 3, as you need to understand the accounting system to review the record keeping and internal systems of control.