

INTERNAL CONTROL

Accounting system shows **WARNING** signs

MAKE PROFITS - STAY LIQUID

PROTECT ASSETS

- CASH**
- Receivables
- INVENTORY**
- Investments
- Equipment/Furniture
- Vehicles, Boats, Library etc.

PAY! PAY! PAY!

- Suppliers/Creditors
- Bank Loan/Mortgage
- Payroll & Taxes

- HOW?**
- KEEP ACCURATE RECORDS**
- ☞ Monthly Bank Reconciliations
 - ☞ Count Inventory - Compare to Books
 - ☞ Use Computers
 - ☞ Insurance
 - ☞ Operational Reviews
 - ☞ Internal and External Audits
 - ☞ Security

MANAGEMENT - DECISION MAKING

WHAT DO YOU WANT TO KNOW FROM YOUR ACCOUNTING SYSTEM?

Who does what? When?	Where is the cash coming from?	Quality!
Who has what authority?	Where is the cash going?	Quality?

SEPARATE RECORD KEEPING DUTIES FROM THOSE WHO CONTROL ASSETS

Remove temptation. Don't let the person selling the candy keep the candy records

DOCUMENT ACCOUNTING PAPER MOVES - OFFICIAL NAME → **AUDIT TRAIL**

Cheques Issued, Deposits, Invoices In, Invoices Out, Purchase Orders Issued/Received, Receiving Reports, Shipping Reports, Bookkeeping Journals, Personnel Records, Tax Files

IF YOU DON'T.... PROFITS DIVE - CUSTOMERS GONE

<p>WASTE</p> <ul style="list-style-type: none"> Confusion Duplications Mistakes Misunderstandings 	<p>FRAUD/THEFT/SABOTAGE</p> <ul style="list-style-type: none"> Assets Disappear Low Quality Business Crises Priceless Time Lost 	➔	YOU LOSE CONTROL!
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INTERNAL CONTROL... 2 How to Keep Control

1. SAFEGUARD ASSETS 2. RELIABLE & ACCURATE RECORDS 3. EFFICIENCY / EFFECTIVENESS

INTERNAL AUDIT & SECURITY DEPARTMENTS

IDENTIFY

Attractive ASSETS
 Assets that walk easily
 Assets vulnerable to attack
 Effect on QUALITY

HOW?

- ☞ Procedural Audits - efficiency / adherence
- ☞ Effectiveness Audits - evaluate procedures
- ☞ Verification Audits - prove the assets exist
- ☞ External Audit - independent verification
- ☞ Equipment - safes, alarms, cameras, lighting, locks, GPS, mag swipe, etc.
- ☞ Budgets & Variance reports
- ☞ Benchmarking - best practices
- ☞ Cross Training programs
- ☞ Training in fraud history

HANDSHAKE WITH IT DEPARTMENT

INFORMATION TECHNOLOGY DEPARTMENT DATA, INFORMATION, SYSTEMS and HARDWARE

KEY GUARDIAN
 RESPONSIBILITIES

Ongoing Communications, projects
 and training with Internal Audit and
 Security Departments

IT System vulnerability to Viruses Worms, Spam, Trojans; Password Admin. Shared Files;
 Back up / Disaster Recovery; Spyware, Malware, Hacker Defence, Remote Access Security

KEEP IN TOUCH WITH

CHANGE

New systems, New procedures = New Controls?; High staff turnover?; Crime innovators;
 Outsourcing; Hardware & Software upgrades; Employee Cynicism

KEEP YOUR EYES & EARS OPEN FOR: Ways to increase efficiency, guard against collusion, sabotage,
 waste, malicious code, Corporate Espionage

CORNERSTONES

Document Authorization Policy - check it
 Document Job Processes / IT platforms
 Document Audit Trail and Control Points
 in people and IT processes

REASONABLE ASSURANCE

Balance the COST of Controls with:
 Their degree of effectiveness
 Effects on business processes and
 especially customers & suppliers

→ LISTEN TO CUSTOMERS, EMPLOYEES, SUPPLIERS - ASK, AND YE SHALL RECEIVE INSIGHT