Administrative Auditing

“Internal Control”

Audit Objectives”



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| **Group: F53A** | **Prof. Rosa María López Larios** |
| **Week: October 30rd to November 3th** | **Classes: 39 to 42** |
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**OBJECTIVE**

Understand the meaning of internal control and recognize the characteristics and purpose of administrative internal controls

**DEVELOPMENT**

Internal controls are the methods employed to help ensure the achievement of an objective. They are tools used by administrator everyday.

Writing procedures to encourage compliance, locking your office to discourage theft, and reviewing your monthly purchase card statement and on-line budget of account to verify transactions are common internal controls employed to achieve specific objectives.

Administrative internal controls consider policies and checkpoints that ensure proper management, approvals of transactions, contracts, human resources, public relations, marketing, fulfillment and record keeping among other administrative functions.

This can involve procedures as simple as signed checklists attesting to the processes followed or it can be as complicated as numerous computer programs, such as project management programs and enterprise resource planning programs.

**Purposes of internal control**

* Fulfillment of the organizational mission and objectives
* Protect the organizational resources
* Guarantee the efficiency in operations
* Facilitate the evaluation of the organizational management
* Apply measures to prevent risks
* Detect and correct deviations

**Types of controls**

**Preventive controls**

Established before an operation or activity begins or initiates. To avoid deviations that can occur

**Concurrent controls**

Established while the function, operation or activity is taking place. In certain points of the activity to detect deviations

**Feedback controls**

Established once the activity is finished. To avoid mistakes in further occasions

**Examples of Preventive Controls**

* A computer application which checks validity prevents the entry of an invalid account number.
* An administrator’s review of purchases for propriety and validity prior to approval prevents inappropriate expenditures.

**Examples of Detective Controls**

* An exception report detects and lists incorrect or invalid entries or transactions.
* A comparison of validated Cash Receipt Vouchers to monthly financial statements will detect deposits posted to erroneous accounts.
* The administrator’s review of long distance telephone charges will detect improper or personal calls that should not have been charged to the account.

Through careful design, the system of internal controls can help your unit operate more efficiently and effectively and provide a reasonable level of assurance that the processes and products for which you are responsible are adequately protected.

Maintaining written procedures for manual processing will ensure that operations can continue in the event of computer failure.

**Evaluation of internal control**

First think about the following general objectives then identify unit's specific objectives within these broad categories:

* Propriety of Transactions for all activity within accounts for which the administrator is responsible.
* Reliability and Integrity of Information for internal management decisions and external agency reports
* Safeguarding Assets, including physical objects and data
* Economy and Efficiency of Operations to optimize the use of limited resources in accomplishing the mission of the unit.

Next, identify what controls currently exist (or should be established) to reasonably assure the achievement of each specific objective for your unit.   
  
An employee who only needs to view computer information should be restricted to Read and File Scan access and should not be granted Write and Create access.

* Only authorized individuals should be issued keys for restricted areas.
* Fiscal Misconduct - If any employee knows or suspects that other college employees are engaged in theft, fraud, embezzlement, fiscal misconduct or violation of College financial policies, it is their responsibility to immediately notify the executive vice president. [College Policies and Procedures 4.04 – Employment Requirements -CPCC Policies and Procedures Manual]
* Form Over Substance - Controls can appear to be well designed but still lack substance, as is often the case with required approvals.

The administrator's signature attests to the accuracy of the payroll voucher information, but if the administrator does not have assurance that the supporting time records are accurate, the approval process lacks substance.

**ACTIVITY 1**

**HOMEWORK**

From the information above write three examples of preventive controls, concurrent controls and feedback controls related to your daily activities and explain the relation between them.

Prepare this activity according to the specifications for homework given in class.

**ACTIVITY 2**

**HOMEWORK**

Answer about the consequences of not having controls for your daily activities and write at least three of them

Prepare this activity according to the specifications for homework given in class.