

Best Practices: Internal Controls over
Financial Reporting

MINDING THE MONEY

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Internal Controls



- Understanding
- Implementing
- Performing
- Monitoring
- Mission

Three Topics



- What we mean by internal control?
- Why do we need internal control?
- What are the best internal control practices?

What are internal controls?



- Ideas?
- Examples?
- Horror stories?

COSO



- “A process, effected by an entity’s Board of Directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - ▣ Effectiveness and efficiency of operations
 - ▣ Reliability of financial reporting
 - ▣ Compliance with applicable laws and regulations.”

What does this mean to you?



- Integrating a system that covers an organization's
 - Activities
 - Plans
 - Attitudes
 - Policies

- This system will:
 - Direct
 - Monitor
 - Measure

What does this *really* mean to you?

- Your organization will have assurance that it will reach its objectives and mission.



Internal Control in an organization



- ❑ Affects every aspect of organization
- ❑ You can't run an organization without internal control
- ❑ Defines good management
- ❑ Success depends on people
- ❑ Most effective when central to organizational culture
- ❑ Provides a level of comfort

What purpose does it serve?

□ Discuss



What internal control can/should do



- Promote orderly, economical, efficient, effective operations
- Produce quality products and services
- Safeguard resources
- Promote adherence to laws and contracts
- Develop and maintain financial and management data
- Accurately present data
- Quality financial reports



Internal Controls Depend on People

5 Components



- Control Environment
- Risk Assessment
- Control Activities
- Information/Communication
- Monitoring

Practical Internal Controls



- Accounting policy and procedures
- Segregation of duties
- Important new policies
- I.T. general controls

Key Control Examples



- Cash receipts, revenues, receivables
- Cash disbursements, expenses, payables
- Monitoring internal and external

Internal Controls Checklist



Takeaway Message



- Internal controls matter
- Take them seriously
- They help your organization

Your auditor takes them very seriously

The scariest auditor of all time

