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Science, Mathematics



Internal Control Characteristics Affiliation Internal Control Characteristics

Introduction Internal control refers to the process in which the aim of an organization is to comply with the rules and regulations, achieve the objectives financial reporting reliability, and provide timely feedback on the strategies achievement. The five major features of the effective internal control include management integrity, competent personnel, safeguards, records maintenance, and segregation of tasks, to mention just a few (Fieldmann, 2014).

1. Situation (a)

Missing internal control: Limited access to both records and assets, and Segregation of tasks

Possible problem: Proper approvals and acceptances (either specific or general) for all classes of transactions. As such, workers who purchase diamonds must not be permitted to sign checks and approve invoices.

Segregation of tasks is required to evade obvious prospects for fraud and quality control (Zhang, 2012).

Solution:

First, for ideal internal control, the purchasing representative or agent should approve the payment nor receive the goods. If these tasks are not separated, an agent can purchase goods and have them transported to their home. Or a purchasing representative can spend so much on purchases, accept the payment, and divide the surplus with the supplier. To evade these issues, companies divide the following tasks among various workers: receiving goods, purchasing goods, and accepting and recompensing for goods (Zhang, 2012).

In addition, no transaction should be administered without the specific or general approval of the management. The larger the transaction or deal, the more particular the approval it must have. After all, we are dealing with diamonds, not bolt and nuts. Companies effect most payments by EFT (electronic funds transfer) or check (Zhang, 2012). As we have witnessed, a company requires proper separation of tasks between operations and authorizing EFTs or writing checks for payment of cash. Payment by EFT or check is a crucial internal control, as below:

The EFT or check offers the payment record

The check should be signed by authorized officials. The EFT should be approved by authorized officials.

Before authorizing the EFT or signing the check, the official must study the proof backing the payment.

2. Situation (b)

Missing internal control: Supervision control or assignment of duties

Possible problem: The problem emerges in the absence of a chosen interim supervisor while Rachael is away. The senior executives are taking it on themselves to control while she is away, this seems to be creating performance problems at the architectural company (Fieldmann, 2014).

Solution:

Rachael should assign a high-ranking architect as the interim boss while she is out. The supervisor would be in charge of all the activities that take place in the firm till the return of Rachael. Equally, the other senior architects need to focus on generating architectural drawings. It is proven that the company does not operate well because two architects have self-assigned themselves

as “ in control,” but they neglect their tasks (Arwinge, 2013).

There is a query of reliable and competent personnel. Perhaps Rachael could resolve this by recompensing her workers sufficiently to carry out their job roles enthusiastically. Responsibility assignment is as well a problem in this situation. There is no any leadership while Rachael goes out, and the individuals that do take control are not performing a good job.

Assigning someone to manage the company when she is away and empowering them by authority to generate and enact decisions , while recording back to Rachael periodically with updates as well as consulting with her while the need emerges from heavy decisions (Fieldmann, 2014).

3. Situation (c)

Missing internal control: Separation of tasks

Possible problem: Theft of money

Solution:

Despite the size of the City of Southport, different cash handling tasks should be done by different individuals in order that no one individual has authority over the whole process of cash handling. Separating the money handling duties among various individuals would reduce the risk of mistakes, minimize the likelihood of the fraudulent act, and increase the possibility of detecting mistakes (Arwinge, 2013). The different money handling duties that should be assigned to different people, instead of Mike Dolan alone include:

Receiving cash

Disbursing amounts of cash for floats

Recording transactions

Preparing bank deposit slips, (reviewers and preparers)

Making the deposits at the banks

Reconciling cash receipts to everyday sales reports.

References

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Zhang, Y. (2012). Future computing, communication, control and management (2012. th ed.). Berlin, Heidelberg: Springer.