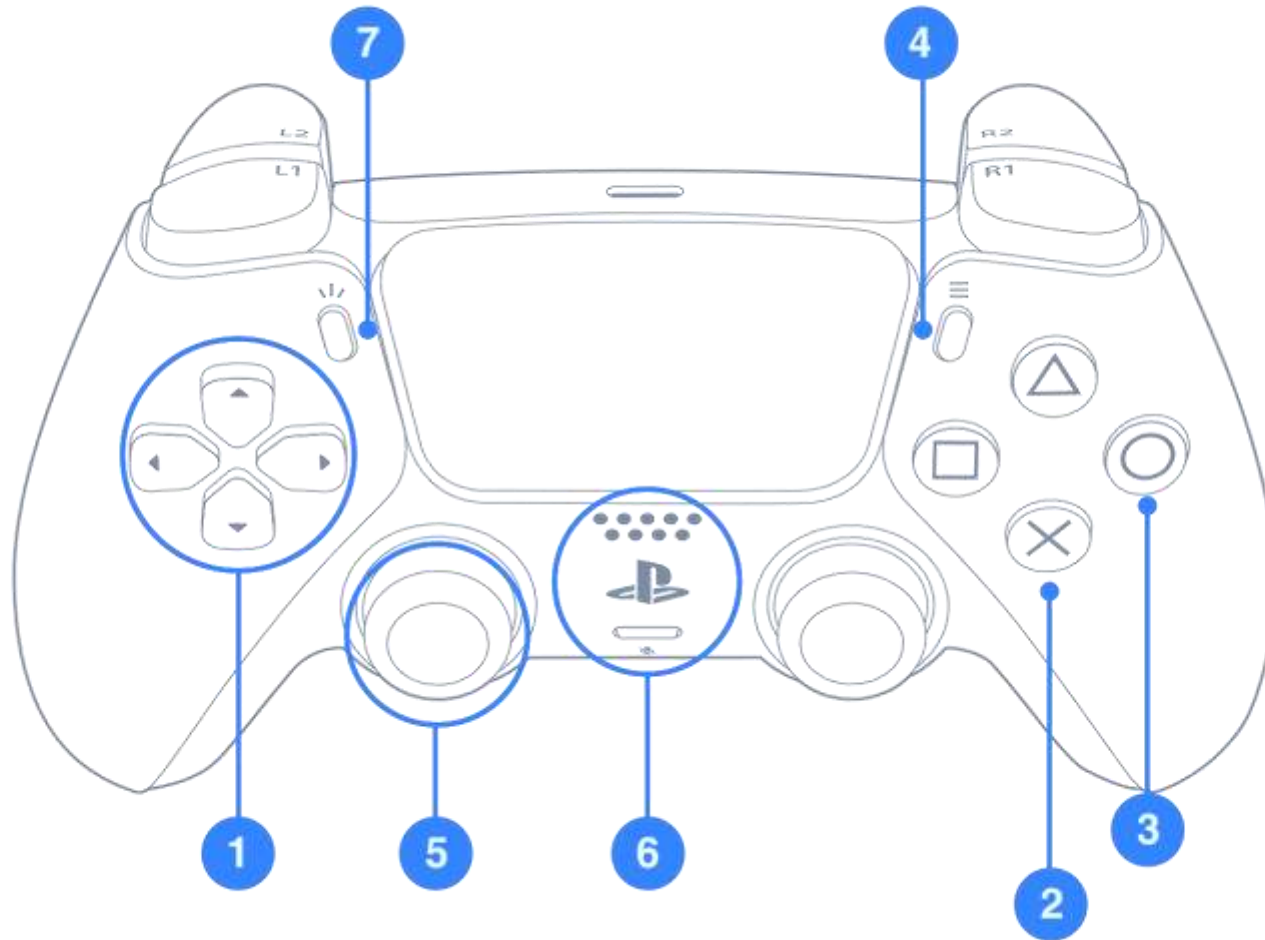


# *7 basic internal controls*



Follow **Chidambaram Narayanan** on **LinkedIn**

# 1. Separation of duties

No one person should have complete control over all aspects of a financial transaction.

Ideally, no single individual should be able to:

- ✓ Authorize a transaction,
- ✓ Account for the transaction, and
- ✓ Have custody of the asset relating to the transaction.



Follow **Chidambaram Narayanan** on **LinkedIn**

## 2. Authorization

- ✓ Transactions to be authorized and executed by persons with relevant authority.
- ✓ Authorization to be obtained in advance.
- ✓ Approvers should review supporting information to validate the transactions



Follow **Chidambaram Narayanan** on **LinkedIn**

### 3. Documentation

- ✓ Have clear documentation which is readily available for examination.
- ✓ Include sufficient detail to support the transaction and any amendments.
- ✓ Sequentially numbered to ensure that all documents can be accounted for.
- ✓ Voided/spoiled documents to be retained.



Follow **Chidambaram Narayanan** on **LinkedIn**

## 4. Reconciliation and review

- ✓ **Reconciliation:** The process of comparing accounting data with the underlying items they represent.
- ✓ **Review:** An inspection or examination that takes place for the purpose of evaluating something.



Follow **Chidambaram Narayanan** on **LinkedIn**

## 5. Monitoring

- ✓ Is the internal control system effective?
- ✓ Ongoing, integrated in the business process
- ✓ Managerial and supervisory reviews



Follow **Chidambaram Narayanan** on **LinkedIn**

## 6. Information systems security

- ✓ Information stored and sent via computers and mobile devices is at risk of disclosure or modification.
- ✓ Data and record protection
- ✓ Physical & virtual access controls
- ✓ Protection of network, database, applications



Follow **Chidambaram Narayanan** on **LinkedIn**

## 7. Protection of assets

- ✓ Access to assets and records should be limited to authorized individuals.
- ✓ Accountability for custody and use of resources should be assigned and tracked.



Follow **Chidambaram Narayanan** on **LinkedIn**



*Thank you!*

Like, subscribe to explore more on  
auditing topics.



Follow Chidambaram Narayanan on LinkedIn