

**Penang Sangam High School**

**Accounting-Year 11**

**Strand 5: Systems for Implementing the Accounting Process**

**Sub-strand: INTERNAL CONTROL**

**LESSON - Week 24**

**Definition of Internal Control**

- is the plan of the organization and all the methods and procedures adopted by management to ensure it operates as planned .

**Aims/ Purpose of Internal Control**

- safeguard the assets and liabilities of the business.
- check the accuracy and reliability of its accounting data.
- promote operational efficiency.
- encourage adherence to the prescribed management policies.
- prevent fraud and error.

**Characteristics/ Principles of Internal System**

**Separation of Duties**

- means that one employee should not be responsible for consecutive aspects of a transaction.
- Different employees should be handling different aspects of a given transaction.

**Authorization**

- means that a person in position of responsibility or authority will validate the a course of action.
- all transactions should require approval by a responsible person

**Responsibility**

- means areas of responsibility should be clearly defined so that an individual officer is accountable for his actions or any query that arises.

### **Physical Control**

- are concerned with the custody of assets from theft, misuse or deterioration.

### **Reliable Personnel**

- Employees should be qualified and are given duties and responsibilities that commensurate with their abilities/ the personal has capabilities to carry out the duties.

### **Sound Accounting Practice**

- The business should maintain complete and accurate accounting record which can be verified by an independent person.

### **Rotation of Duties**

- should include rotation of staff duties in key positions occasionally.

### **Verification**

- is the act of checking the accuracy of accounting records by some independent means.

### **Serialization of Documents**

- All documents should be consecutively numbered.