



Internal Audit Unit

# Monthly Articles

No. 11/22, published in November 2022

## Internal Control



### What is internal control?

Internal control is a process designed and established by the management of institutions, ministries, and public organizations to provide assurance about the efficiency and effectiveness of operations, accountability for financial reporting, and compliance with applicable laws, regulations, policies, procedures, and regulations.



The purpose of internal control is to ensure that objectives are met to minimize waste, loss, and misuse,

On the other hand, for the purpose of internal control to be achieved effectively and efficiently, the activities in accordance with the objectives must be measurable and observable.



Internal control monitoring is the process of assessing the internal control system and its design at appropriate times and taking necessary actions. Internal control monitoring can be carried out in two ways:

1. Regular activities: refers to activities to monitor the effectiveness of the internal control system in normal operations, including regular monitoring and control by management, comparison, matching and other routine activities.

2. Specific evaluation: refers to the assessment of the internal control system by management and/or

-The common points of management responsibility are defined and used by the internal audit





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For internal control systems related to high and significant risks, they should be assessed frequently.

According to the audit framework established by the Committee on the Support of Commissioners (COSO), to assess the adequacy of internal control systems, there are five main areas including control environment, risk assessment, control activities, information and communication, and monitoring.



In general, a good internal control system should include the following characteristics:

- Appropriate segregation of duties
- Control over management
- Process steps are in the correct order
- Work is done in the right place and time, in the right order and with the right skills without authorization or inappropriate allocation.

- The number of issues and interactions is minimal
- The number of backlogs is minimal
- The number of incidental activities is minimal.



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## References:

- 1- Information Technology Internal Control System Management Directorate of Internal Audit Ministry of Economy and Finance
- 2-National Audit Authority Public Auditing Standards of the Kingdom of Cambodia
- 3-COSO Internal Control-Integrated Framework

