STUDY OF INTERNAL CONTROL OF LOCAL GOVERNMENT

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ABSTRACT

The concept of internal control in local government is not a novel concept, and that the system of control, more or less formalized way, works in any organization. Basically the control system is a set of all actions and measures which apply to activities performed in the organization are carried out in accordance with the interests of the organization.

Keyword: Internal Control, Management Responsibility for Internal Control, Control System, Financial Statement

1. INTRODUCTION

The concept of interior order in localized government is not a innovative concept, and that the concept of order, more or less formalized way, works in any association. Basically the order conceived is a set of all undertakings and measures which demand to undertake offering in the association are carried out in affirmation with the anxieties of the association. Control concept in the municipality & body of public administration in the public buying into part include.

A- Internal control

Each localized government aspires to rendezvous exact targets. These targets may be characterized distinctly. They articulate themselves in the pursuit of undertakings undertaken in full compliance with the regulation, ensuring that the facts and figures offered in the financial statements are accurate, and the avoidance of the uninhibited flow of information. Helpful in achieving these objectives are internal command.
The COSO internal control report is defined as a process applied by the administration business bosses and other workers. This method is designed so as to accomplish a reasonable promise of accomplishing the objectives in the following classes:

1. Operational efficiency
2. Reliability of financial declarations
3. Compliance with guidelines and guidelines

**B - Management’s Responsibility for Internal Controls**

Internal controls are essential to the effective operation of local governments and school districts. Simply put, internal controls are activities or procedures designed to provide reasonable assurance that operations are “going according to plan.” Without adequate internal controls, management has little assurance that its goals and objectives will be achieved. Properly designed and functioning controls reduce the likelihood that significant errors or fraud will occur and remain undetected. Internal controls also help ensure that departments (other than the main finance office) are performing as expected.

**2. FINANCIAL STATEMENTS**

Helfert & Erich (2001) where of the view that financial statements provide an overview of a business or person’s financial condition in both short and long term. All the relevant financial information of a business enterprise, presented in a structured manner and in a form easy to understand. The four basic financial statements include balance sheet; also referred to as statement of financial position or condition, reports on a company’s assets, liabilities and ownership equity at a given point in time. Income statement; income statement also referred as profit and loss statement, earnings statement, operating statement or statement of operation is a company's financial statement that indicates how the revenue is transformed into net income. The purpose of the statement is to show managers and investors whether the company made or a lot of money during the period being reported. (Angelico & Nikbakht, 2000) .Profit& Loss account; provide information on the operation of the organization. These include sale and the various expenses incurred during the processing state. (Kundabanyanga, 2004) State of retained earnings; explains the changes in the company earnings over the reporting period. The role of Internal Audit function in Organizations”, states that “Independence is established by organizational and reporting structure” and that “Objectivity is achieved by an appropriate mindset Statements reports on a company’s cash flow activities, particularly its operating, investing and financing activities. (International accounting standards board, 2007). Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.

When the subject of internal control is discussed, the conversation frequently centers on control activities or procedures, rather than the bigger picture of the whole internal control framework.

To execute its responsibilities effectively, management needs to understand how an integrated internal control framework should work. This guide is designed to introduce local government and school managers and officials to the components of an integrated internal control framework.
CONCLUSIONS

Effective internal control over quality of financial statement should provide reasonable assurance regarding the reliability of financial statements and preparation of financial statements for external purposes. This exercise provides reasonable assurance both to management and stakeholders about the financial status of the company. Internal controls are most effective when controls are built into financial the entity’s infrastructure and are a part of the essence of the organization. Controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions thus ensuring quality of financial statements.

Based on the findings of the study, it is concluded that the institution has an effective internal control system as supported by the study findings of clear separation of roles, supervision, training, and commitment of management. However, there are challenges in the implementation of controls especially considering that the audit function is not well extended to the upcountry centers which clearly has affected their efficiency as revealed by this study.

REFERENCES


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