



Internal Controls



Definition of Internal Control

- ▶ *Internal control is a **process**, effected by an entity's **board of directors, management, and other personnel**, designed to provide **reasonable assurance** regarding the **achievement of objectives** in the following categories:*
 - ▶ *Effectiveness and efficiency of operations*
 - ▶ *Reliability of financial reporting*
 - ▶ *Compliance with applicable laws and regulations.*



Benefits of Internal Control

- ▶ Having controls in place minimizes embezzlement and/or misappropriation of funds. The temptation to steal assets from the church is lessened once steps have been taken to put checks and balances in place. These controls would help to promote ethical behavior.
- ▶ There is also a reduction in the need to accuse and confront employees. The internal controls would provide accurate information that would be used to detect illegal behavior and also to make reporting easier.
- ▶ The internal controls minimize the embarrassment of the church because of negative publicity from the media should inappropriate behavior occurs. It is a good practice to try and prevent the image of the church from being damaged in any way. Fraud in the headlines is a strike against any organization.

