University of Khartoum

Faculty of Post-Graduate College

The Efficiency of Internal Control Framework of Non-Profit Organizations

The case of United Nations Khartoum-Sudan

A thesis submitted as partial fulfillment of the requirements of MSc. in Accounting and Finance

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Introduction

1.1 Internal Control Historical Background

Jack c. Robertson (1996) mentioned the historical information about internal control from 1940s to the mid-1970s, most of the discussion of control appeared in the auditing literature as follows:

The auditing literature recognize that a system of internal control should be designed to achieve objectives that are both operational and accounting in nature. Therefore, as early as 1949, reference to the need to (1) safeguard assets, (2) achieve accurate and reliable accounting data, (3) promote operational efficiency, and (4) encourage adherence to prescribed managerial policies.

In 1958, the AICPA differentiated between accounting controls and administrative control, a distinction that is very important to independent auditors, accordingly accounting controls are aimed at objectives 1 and 2 of the 1949 definition, while administrative controls embrace goals 3 and 4.

In 1963, Statement on Auditing Procedures No.33 attempted to clarify the distinction between administrative and accounting controls, stating that the independent auditors is primarily concerned with the latter when applying generally accepted auditing standard.

After 1963, there continued to be confusion concerning the scope of the auditors responsibility as it related to safeguarding of asset and
the reliability of financial statements. This confusion led to further refinement of the definitions of administrative and accounting controls in 1972.

In 1988, Statement on Auditing Standard No. 55 (SAS NO.55), consideration of the Internal Control Structure in a Financial Statement Audit, defined an entity’s internal control structure as comprising three elements:

1. the control environments
2. the accounting system
3. Control procedures

Finally, in 1995, Statement on Auditing Standards No. 78 (SAS No.78), consideration of Internal Control in Financial Statement Audit: An Amendment to Statement on Auditing Standard No. 55, adopted the Committee of Sponsoring Organizations (COSO) definition of internal control that:

Internal control is a process, effected by an entity’s board of directors, managements and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following three categories:

- Reliability of financial reporting
- Compliance with applicable laws and regulation
- Effectives and efficiency of operations.
In general, Internal Control - Integrated Framework represents a milestone in the evolution of how to assess the effectiveness of internal controls related not only to financial reporting but to business operations generally. For these reasons, the report is of interest and relevance to anyone engaged in the management of an entity. Likewise, it should be of value and use to independent public accountants, whether as a means for fulfilling their attestation responsibilities when reporting on internal control or advising clients on improving their operations.

Internal Control - Integrated Framework defines as a method for achieving rational assurance that objectives in areas related to the effectiveness and efficiency of operations, reliability of financial reports, and compliance with laws and regulations are met. Internal Control also identifies the five interrelated components of internal controls: the control environment, risk assessment, control activities, information and communication, and monitoring. The duties of financial and accounting officers, internal auditors, board of board of directors, and external parties are also included.

1.2 Statement of the Problem
The research problem stated in the following question:
Does the United Nations internal control adequately meets requirements of the efficient internal control framework?
1.3 Objectives of the research
The objective of this dissertation is to:

- Identify those areas where strengths occur to an effective internal accounting control system.
- Ensure segregation of duties are carried based on each individual role in the organizations.
- Individuals and group should be responsible and accountable.

1.4 Significance of the research
The importance to an effective internal control system enables to manage significant risks and monitor the reliability and integrity of financial and operating information. It also ensures that the audit firm acts as a powerful and proactive agent for corporate self-regulation.

1.5 Hypotheses
Based on the problem statement the researcher has formulated the following hypothesis:

The internal control of the United Nations adequately meets requirements of the efficient internal control framework.

1.6 Sources of data collection

1. Primary data
   - Interview and questionnaire.
2. Secondary data

- internet sources
- books
- reports
- articles

1.7 Limitations of the study (The time and area conduct study)

The research has been studying recent efficiency and effectiveness of internal control in order to identify the major strengths of internal control framework. The strengths identified reinforce the importance of having segregation of duties, internal and external auditors, and accountabilities.

However, due to the time constraint does not allow the researcher to elaborate the research scope: which covers only six months. In addition to that, it compares the population size in terms of the discrepancy between the samples in different areas and locations—in order to come with common strengths and weakness.

Hence, the research studies the internal control framework of non-profit organizations in recent years in Khartoum, the capital of the Federal Republic of Sudan

1.8 Organization of the Study

Chapter one, it is an introductory chapter set out the historical background, meaning and objectives of internal control framework, statement of the researcher problem, research objectives and
significance, research hypotheses, sources of data, and the time and area of research study.

Chapter two, provides a comprehensive discussion of the literature review of internal control framework, showing different views from different researchers followed by the researcher analysis and own views.

Chapter three, contains the case study of the research and data analysis.

Chapter four, represents the case study conclusion along with the recommendations that researcher has been pointed out, also the chapter include the researcher suggestions for future researchers about internal control framework.
Chapter (2)

Literature Review
2.1 Why do we need control?

Controls are mechanisms implemented to reduce the risks of adverse effects, and to accomplish objectives of the organization. The primary reasons for control are to help/ensure that system goals are achieved. Secondly, to lessen the risk that unwanted outcomes will occur.

In general, there are three areas of an organization: safeguarding assets, efficiency of scarce resources utilization, and proper recording and accounting of economic events. And in the accounting profession, controls are usually classified as either:

- Accounting controls, encompass the procedures and records that safeguard assets and ensure the reliability of financial records or,
- Administrative controls: encompass procedures and records that influence the decision processes of management and the adherence to the policies of management.

Gelnas, Sutton and Oram, (1999), they are emphasizes more input about the control needs as follows,

Beyond facilitating the attainment of system goals and helping to reduce business risk, why else is internal control so important? Some of the reasons include:
• The heightened public awareness and concern resulting from unprecedented scandals in 1980’s
• The emphasis placed by shareholders on corporate governance and the demands that places on boards of directors and executives to implement and demonstrate control over operations.
• Management’s legal responsibility for establishing and maintaining an adequate system of internal control.
• Highly published instances of management and employee fraud, specifically of computer fraud and abuse.

2.2 The need for Internal Control
The need of the internal control as identified by Meigs, Whittington, Pany, and Meigs (1989) that: "The internal control is the long-run trend for corporations to evolve into organizations of gigantic size and scope, including a great variety of specialized technical operations and employees, has made it impossible for corporation executives to exercise personnel, the firsthand supervision of operations, no longer able to rely upon personnel observations as a means of appraising operating result and financial position, the corporate exceptive has, come to depend upon a stream of accountings and statistical reports. These reports summarize current happenings and conditions throughout the enterprise; the units of measurement employed are not only dollars but labor-hours, material weight, customer calls, employee terminations, and a host of other denominations. The information carried by this stream of reports enables management to
control and direct organization’s keep them informed as to whether company policy is being carried out, whether governmental regulations are being observed, and weather financial position is sound, operations profitable wand interdepartmental relations harmonious. The internal control structure provides assurance to management of the dependability of the accounting data used in marking these decisions.

Decisions made by management become company policy, to be effective; this policy must be communicated throughout the company and consistently followed. The quality of the internal control in force, more than any other factors, determines the pattern of their examination.

The independent auditors obtain an understanding of internal control structure in order to plan the audit and to determine the nature, timing, and extent of the fairness of financial statement.”

2.3 The Internal Control Definitions

Jack c. Robertson (1996) mentioned the COSO Report defined internal control that:

Internal control is a process, effected by an entity’s board of directors, managements and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following three categories:

- Reliability of financial reporting
- Compliance with applicable laws and regulation
- Effectives and efficiency of operations.
In addition, COSO stated that this definition reflected four fundamental concepts Process, People, reasonable assurance, and category objectives:

- Internal control is a process, not an end itself, but a means to ends.
- Internal control is operated by people, people established the objectives, put control mechanisms in place, and operate them.
- Internal control provides reasonable assurance, not absolute assurance, that category control objectives will be achieved.
- Internal control is designed to achieve objective in three categories (Operational, financial reporting and compliance).

Below diagram illustrate the internal Control frame work from COSO.

Table 2.1 **COSO Integrated Internal Control Framework**

<table>
<thead>
<tr>
<th>Definitions</th>
<th>Internal Control is a management process</th>
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<tbody>
<tr>
<td>Categories</td>
<td>Object Categories</td>
</tr>
<tr>
<td></td>
<td>Efficiency and efficiency of operations</td>
</tr>
<tr>
<td></td>
<td>Reliability</td>
</tr>
<tr>
<td></td>
<td>Financial Reporting</td>
</tr>
<tr>
<td></td>
<td>Compliance with laws and Regulations</td>
</tr>
<tr>
<td>Objectives</td>
<td>Various Business, Company Specific</td>
</tr>
<tr>
<td></td>
<td>Reliable financial annual and interim</td>
</tr>
<tr>
<td></td>
<td>Reports (e.g., GAAP)</td>
</tr>
<tr>
<td></td>
<td>Compliance WITH ones that apply</td>
</tr>
<tr>
<td></td>
<td>to the Company</td>
</tr>
<tr>
<td>Component</td>
<td>Control environment</td>
</tr>
<tr>
<td></td>
<td>Risk assessment</td>
</tr>
<tr>
<td></td>
<td>Control activities</td>
</tr>
<tr>
<td></td>
<td>Monitoring</td>
</tr>
<tr>
<td></td>
<td>Information and Communications</td>
</tr>
</tbody>
</table>

Sources: Jack C. Robertson, Auditing—Eight Edition, 1996 Chapter (6) Pages (185-188), IRWIN, USA.
Dr. Robertson continued the definition, that on the other side in 1992, in the United Kingdom, the Committee on the Financial Aspects of corporate Governance (the Cadbury Committee) made its report, presenting a code of best Practice, suggesting procedures that large companies should follow to conduct their affairs. This was followed in 1994 with a “Guidance’ Publication that defined internal control as:

The whole system of internal controls, financial and otherwise, established listed in order to provide reasonable assurance of:

- Effective and efficient operations.

- Internal financial control (safeguarding of assets against unauthorized use or disposition, and the maintenance of proper accounting record and the reliability of financial information used within the business or for publication).

- Compliance with the laws and regulations.

In my opinion, that Cadbury definitions of internal control is similar to the COSO, but Cadbury is more expansive in that it makes explicit mention of the safeguarding of resources and includes financial information’s used within the entity.

Moreover, definitions to internal control framework has been defined by the American Institute of Certified Public Accountants (AICPA), as identified by Moscove, Simkin and Bagranoff (1990) that, internal control is:
The plan of the originations, and all of the coordinate methods and measures adopted within a business, to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial polices. This definitions encompasses both administrative control and accounting control.

In my view, above definition from AICPA of internal control is very strong, comprehensive, focus of the importance of sound internal control and covering the internal control meaning and objectives areas in the same time.

BASLE, (1998) defined the Internal control:
Is a process effected by the board of directors, senior management and all levels of personnel. It is not solely a procedure or policy that is performed at a certain point in time, but rather it is continually operating at all levels within the bank. The board of directors and senior management are responsible for establishing the appropriate culture to facilitate an effective internal control process and for continuously monitoring its effectiveness; however, each individual within an organization must participate in the process.

In addition, International Standard Accounting 400 (ISA) Risk Assessment and Internal Control defines the internal control system as comprising the control environment and control procedures in ACCA, Auditing paper 2.6:

Control environment, means the overall attitude, awareness and actions of directors and management regarding the internal control
system and the importance to the entity. It encompass management style, corporate culture, values, philosophy and operating style, the organizational structure, personnel policies and procedures.

*Control procedure*, are those established to achieve the entity’s specific objectives. In accounting context these objectives include the proper authorizations, timely and accurate recording of transactions in the correct period, the safeguarding of assets and ensuring the existence of assets recorded. They include particular procedures to prevent, detect and correct errors. They differ from entity and are affected by the size of the entity.

In my opinion, ACCA definition to internal control is different from the other definitions only in terms of classification, but the bottom point of the internal control is clearly identified and similar and common with the other definitions.

2.4 **Basic rules of internal control “Segregation of Duties”:**

Gray and Manson (2000), stated that “an important principle of internal control is segregation of duties, ensuring that no one person sees a transaction through from beginning to end or has complete control of assets of the organizations. That a division of duties is important can be seen if we imagine a system where cashier received cash, bank it entered the cash book, prepared the bank reconciliation, kept the sales ledger and sent out debtor’s statements. Under such circumstances the possibility of error would be increased because another person would not check the work of the cashier”. 
Accordingly the first basic rule of division of duties is that there should be segregation of functions of:

- Authorizations of transactions
- Execution of transaction
- Custody of assets
- Recordings of transactions and assets.

More elaboration of segregation of duties from Gelinas, Sutton and Oram (1998), consist of separating the four basic functions of transaction processing: the function are:

- Function 1 authorizing transactions
- Function 2: executing transactions
- Function 3: recording transaction
- Function 4: safeguarding resources resulting from communication transaction

**Table 2.2 Illustration of Segregation of Duties**

<table>
<thead>
<tr>
<th>Function 1</th>
<th>Function 2</th>
<th>Function 3</th>
<th>Function 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorizing Transact</td>
<td>Executing Transact</td>
<td>Recording Transact</td>
<td>Safeguarding Resources</td>
</tr>
<tr>
<td>phasing of transaction</td>
<td>movement of resources</td>
<td>transaction in books of</td>
<td>Resulting from physical protecting resources</td>
</tr>
<tr>
<td>processing</td>
<td></td>
<td>original entry</td>
<td>Consumating Transaction</td>
</tr>
<tr>
<td>various sources documents</td>
<td>2. involves posting</td>
<td>maintaining accountability</td>
<td>to the general ledger</td>
</tr>
<tr>
<td>1. involves the process of transaction</td>
<td>1. involves recording</td>
<td>1. involves the process of transaction</td>
<td>1. involves the process of</td>
</tr>
<tr>
<td>2. involves the completion of</td>
<td>transaction summaries</td>
<td>of physical resources</td>
<td>physical protecting resources</td>
</tr>
</tbody>
</table>

**Sources:** Gelinas, Sutton, and Oram, Accounting Information System, Fourth Edition, printed by South-Western Colleague publishing, Cincinnati, Ohio, USA. 1999 Chapter (7) & (8).
In my opinion the above two statements about segregation of duties, it consist of assigning different people to authorize a particular class of transactions, perform control procedures when the transactions are processed, supervise those procedures, maintain the related accounting records, and handle the related assets. Such arrangements reduce the risk of error and limit opportunities to misappropriation assets or conceal other international misrepresentations in the financial statement.

2.5 **Internal Control in Specific Areas of Business**

Generally, the areas specified for internal control: cash and cheque received by post, cash sales and collections, payment into bank, cash and bank balances, cheque payment's, wages and salaries, purchase and trade creditors, sales and debtors, stock and work in progress, fixed assets.

2.6 **Internal Control Components**

Gelnas, Sutton and Oram, (1999), based on definition of internal control as stated from the Committee of Sponsoring Organizations (COSO) in 1995, and SAS NO. 78 went on to say that internal control comprises five interrelated components:

- Control Environments, sets the tone of an organizations, influencing the control consciousness of its people. It is the foundation for an other components of internal control, providing discipline and structure.
Internal Control Framework

- Risk Assessment, is the entity’s identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed.
- Control Activities, are the policies and procedures that help ensure that management directives are carried out.
- Information and Communications, are the identification, capture and exchange of information in a form and time frame that enables people to carry out their responsibilities.
- Monitoring, is a process that assesses the quality of internal control performance over time.

2.7 The major objectives of Internal Control Framework

BASLE, (1998) specified main objectives of the internal control process can be categorized as follows:
1. Efficiency and effectiveness of operations (operational objectives);
2. Reliability and completeness of financial and management information (information objectives); and
3. Compliance with applicable laws and regulations (compliance objectives).

Operational objectives: for internal control pertain to the effectiveness and efficiency of the organization in using its assets and other resources and protecting the bank from loss. The internal control process seeks to ensure that personnel throughout the organization are working to achieve its objectives in a straightforward manner, without unintended or excessive cost or placing other interests (such
Internal Control Framework

as an employee’s, vendor’s or customer’s interest) before those of
the organization.

Information objectives: address the preparation of timely, reliable
reports needed for decision-making within the organization. They also
address the need for reliable annual accounts, other financial
statements and other financial-related disclosures, including those for
regulatory reporting and other external uses. The information
received by management and supervisors should be of sufficient
quality and integrity that recipients can rely on the information in
making decisions. The term reliable, as it relates to financial
statements, refers to the preparation of statements that are presented
fairly and based on comprehensive and well-defined accounting
principles and rules.

Compliance objectives: ensure that all organization transactions is
conducted in compliance with applicable laws and regulations,
supervisory requirements, and internal policies and procedures. This
objective must be met in order to protect the organization’s franchise
and reputation.

While ACCA, Auditing Paper 2.6 pointed out the internal control
objectives as follows:

- Ensure that the business of the enterprise is carried on in an
  orderly and efficient manner
- Ensure adherence to internal policies
- Prevent and detect fraud and error
- Safeguard the Assets
• Secure, as far as possible, the completeness and accuracy of the records.
• Secure the timely preparation of reliable financial information

In my view, there are no major differences of the internal Control objectives between both statements, both of them concentrating of safeguard the assets, reduce risk, and compliance with the rules and regulations, provided that Basle made more elaboration of the objectives.

2.8 The Major Categories of Internal Control:
ACCA, Auditing paper 2.6, specified the major categories of internal control framework as follows:

• Approval and control of documents
• Controls over computerized applications and IT environment
• Checking the arithmetical accuracy of the records
• Maintaining and reviewing control accounts and trial balance
• Comparing the results of cash of cash, security and inventory counts with the accounting records.

2.9 Types of Control
ACCA, Auditing paper 2.6, identified three types of internal controls:

• Preventive - which seek to ensure the impact never materializes. This type of control either prevents the event from occurring or affecting the organization, or detects the event as it
happens and prevents any further activity that may lead to an impact.

- **Detective** - which identify when some event, or events have occurred that could lead to a materialization of the impact, and invoke appropriate actions to arrest (or mitigate) the situation.

- **Corrective/Reactive** - which identify the impact has occurred and invoke appropriate actions to recover (or mitigate) the situation.

On the other hand, de Paula’s (1986) identified the internal control types as follows:

- **Organization**, should have a plan, defining and allocating responsibilities and identifying lines of reporting for all aspect of organizations operations, including the control. The delegation of authority and responsibility should be clearly specified.

- **Segregation of duties**, one of the prime means of separation of those are responsibilities or duties which would, if combined, enables one individual to record and process a complete transaction. Segregation of duties reduce the risk of international manipulation or error and increase the element of checking. Functions which should be separated include those of authorization, execution, custody, recording, and in the case of a computer-based accounting system, system developed and daily transactions.
• **Physical**, there are concerned mainly with the custody of asset and involve procedures and security measures designed to ensure that access to assets is limited to authorized personnel. This includes both direct access and indirect access via documentation. These internal control assume importance in the case of valuable, portable, exchangeable desirable assets.

• **Authorization and approval**, all transactions should required authorization approval by an appropriate responsible person. The limits for those authorizations should be specified.

• **Arithmetical and accounting**, these are the controls within the recording function which check that the transactions to be recorded and processed have been authorized, that they are all included and that they are correctly recorded and accurately processed. Such control include checking the authorization accuracy of the records, the maintenance and checking of totals, reconciliation control accounts and trial balances, and accounting of the documents.

• **Personnel**, there should be procedures to ensure that personnel have capabilities commensurate with their responsibilities. Inevitably, the proper functioning of any system depends on the competence and integrity of those operating it. The qualifications, selection and training as well as the innate personal characteristics of the personnel involved are important features to be considered in setting up any control system.
• **Supervision**, any system of internal control should include the supervisor by responsible officials of day-to-day transactions and the recording thereof.

• **Management**, there are the controls exercised by management outside to day-today routine of the system. They include the overall supervisory controls exercised by management, the review of management accounts and comparison thereof with budgets, the internal audit function and any other special review procedures.

In my view, regardless, certain events will not usually be able to be detected by an organization’s internal control system, but internal control system should therefore include processes for handling complaints fully - including identification of the cause if there was error on the part of the organization.

### 2.10 The Importance of Communications in the Internal Control

The success of an internal control program depends upon good communication throughout the organizational structure. Often the best manner of evaluating operational and program effectiveness is at the unit (department) level. Program reviews and critical area testing may be employed. Identified weaknesses and recommendations for corrective action or general improvement should flow smoothly through the organizational structure with thorough review and response at each succeeding level. Acknowledgment and further communication (feedback) to the
operating level will confirm the extent of the noted weakness and the best corrective course of action.

It is this two-way communication which best serves to address issues and concerns in a timely manner and to reach solutions, benefiting from both the first-hand skills at the departmental level and the collective knowledge and resources of the institution.

2.11 Internal control and Auditors

2.11.1 The auditor use of internal control:
Attwood and Stein (1986) mentioned that auditors objective in evaluating and testing internal controls is to determine the degree of reliance which he may place on the information contained in the accounting records. If they obtain reasonable assurance by means of compliance tests that the internal controls are effective in ensuring the completeness and accuracy of the accounting records and the validity of entries therein, he may limit the extent of his substantive testing. Because of the inherent limitations in even the most effective internal control system, it will not be possible for the auditors to rely solely on its operations as a basis for his opinion on the financial statement.

In some organizations the auditors may be unable to determine whether all the transaction have been reflected in the accounting records unless there are effective internal control. The types of internal controls on which the auditor may seek to rely vary widely.
2.11.2 Audit Procedures in Relation to Internal Controls
Attwood and Stein (1986) stated that “the auditor will need to a secretion and record the internal control system in order to make a preliminary evaluation of the effectiveness of its component controls and to decide the extent of his reliance thereon. This recording will normally be carried out concurrently with the recording of the accounting system”

2.11.3 The System of Internal Control as an Aid to the Auditors
The main objective of the audit is to prove the completeness, accuracy and validity of the records of the transactions of the period under review.

The work of the auditor is all directed towards the main object of reporting on the financial statement.

Figure 2.1 Auditor Approach

Attowood and Stein (1986), elaborate the above diagram that illustrate the three main directions from which auditors approach their task:

- Proving the completeness, accuracy and validity of the financial statement by testing the accuracy of underlying records on which they are based.
- Examining reliable, relevant and sufficient evidence of the existence, ownership and valuation of assets and liabilities
- Reviewing the overall position shown by the financial statements.

In my opinion very important to the auditors to establish what internal control system exists and then to test that system to ensure that it is working properly, in addition, auditors often rightly identify problems in a control structure and suggest additional controls to fill the gaps, as they see them. Accordingly, the internal controls are fundamental to the work of the internal auditor.

2.11.4 Internal and External Audit and Internal Control
Internal audit is an important elements of the internal control system and its existence (or non-existence) to some extent reflects top management’s attitude towards internal control. The existence of an internal audit department thus has an impact on the external auditors assessment of control risk. The external auditor will take into account all the activities of the internal audit department is assessing it effectives but will take especial note of internal audit work on internal controls. The external auditor should consider whether weakness in
internal controls revealed by internal audit work should be included in a report to management and also whether the scope of external audit should be extended as result of the weakness.

2.12 Internal Control within Accounting Information System

Control Systems are subsystems within information systems. There are controls within accounting, over accounting, and interrelated with accounting. The objective of computer system control is to accomplish the directives of management and provide assurance that management’s plans and objectives are being properly attained.

Controls are generally more effective if built into system rather than added on after a system is implemented. During the development of an information system the proper placement of controls is easier, less costly, and more efficient.

2.12.1 Classifications of Control system

There are tow board classifications of control system as mentioned by Robinson, Davis and Alderman (1982):

a. Feedback Control Systems:
A basic requirement for any control system is an evaluation activities i.e feedback. The feedback control system contain four elements: (1) a function or process to evaluate, (2) a set of standards or control total as for comparison, (3) a sensor to detect and measure items for evaluation and (4) a control deice to report and correct variances from standard.
b. Feedforward Control Systems:

To overcome the time lag in controlling critical functions, many organizations have developed feedforward control systems. These systems attempt to prevent delays in reporting variances by predicting outcomes based on the inputs used in a particular situation to predict outcomes if the inputs continue to display their current trends. As predictions from the system are made, inputs can be changed to correct or improve remaining outputs. Therefore, more desired results can be obtained by this concept of continuous control monitoring.

The elements of a feedforward control system are similar to those of a feedback control system. A comparison highlights two major
difference: (1) the point of data input to the control system and (2) the place of adjustment from the control system to the function evaluated.

Figure 2.3  **A FEEDFORWARD CONTROL SYSTEM**


**2.12.2 The Characteristics of Computer System Controls**

The Characteristics of Computer System Controls as stated by James O. Hicks, JR. and Wayne E. Leininger, (1981) as follows:

They are more formal and extensive, since most processing is performed in a mode invisible to humans. Therefore, it is not possible for personnel to detect unexpected errors during processing as often occurs in manual systems. Documentary evidence is lacking in computer processing. Input can be combined with other input and
transformed to such an extent that the trial between input and output is lost.

Control must be incorporated early in the design process. It is expensive and often very difficult to install controls after a system has been implemented.

Because processing steps and information stored in computer files are invisible, system documentation is critical. The back-up procedure of examining documents and interviewing clerical person available in computer systems.

Informations files are centralized. Thus control is easier, but good control is more important. Loss of computers files would force many of today’s firms out of business temporarily or even permanently.

The computer provides an opportunity for greatly enhanced control compared to manual systems. Once control is implemented in computer program, it will be performed with nearly 100% reliability. No manual control can be that reliable. The key to controls to utilize the power of the computer creatively.

As in manual systems, the internal controls in a computer system can overlap. Thus, strong control in one area can compensate for weak control to another.

Above characteristics of computer system controls have been argued by the same researchers James O. Hicks, JR. and Wayne E. Leininger, (1981) that the major characteristics of internal control in Computer-Based System will affect auditing, but he also mentioned that, the impact of the system on auditing extends beyond internal
control, because Computer-Based auditing can bring three categories:

- Environmental Changes, the largest environmental changes involves terminology and computer concepts.
- Processing Changes, the adoption of computer-based system procedures major changes in processing of accounting and financial transactions as follows:
  1. The audit trails differs from a manual system, in some cases it can disappear. An audit trail enables auditors to trace an original transaction forward to a summarized total or summarized total backward to the underlying documentation of the original transactions.
  2. Most of the data in a computer-based system are maintained only in machine-readable form, the auditor is dependent on computer hard and software to gain access to accounting data. This dependency can in some cases raises doubts about the auditor's independence from the client.
  3. Inclusion of many processing controls in the computer programmes themselves. This change shifts the review of the transaction processing from the human to the computer.
  4. Processing is changed by the integration of accounting data with operational data.
- Audit Efficiencies, environmental changes resulting from the use of computers allow the auditor to perform tasks more efficiently.
In my opinion generally, accounting and management control systems become more complex when companies convert from manual to computerized systems primarily because the computer can execute complex and precise procedures on repetitive basis with very high reliability, while the processing steps in manual systems are usually much less complex and therefore easier for the auditor to understand. However, computerized System is accurate and with a very high degree of sensitivity in case of error.

2.12.3 Evaluation of Internal Control in Computer-Based Systems

James O. Hicks, JR. and Wayne E. Leininger, (1981), explain the evaluation of internal control in computer-based systems is essentially a review of the organizations procedures, policies, and applications to determine the extent to which the controls. Steps of evaluating the system as follows:

- The evaluation’s objectives and to develop an audit plan for the evaluations. Without explicit objectives and a plan for attaining the audit objectives, the auditor cannot competently review internal control in a system as complex as most computer-based system.

- To obtain a general understanding of the organization, its policies, and the applications to be reviewed.

- Once a general understanding of the system is gained, the auditor performs the review. Considering that most useful tools in the review are control flowcharting and internal control questionnaire.
2.13 **Limitations on the effectiveness of internal control**

Millichamp, (1996), stated the limitations of internal controls are essential features of any originations that is run efficiency. However, it is important to realize (especially for auditor) that internal control have inherent limitations which included:

- A requirement that the cost of an internal control is not disproportionate to the potential loss which may result from it absence.
- Internal control tend to be directed at routine transactions. The one-off or unusual transactions tends not to be the subject of internal control.
- Potential human error caused by the stress of workload, alcohol, carelessness, distraction, mistakes of judgment, cussedness, and the misunderstanding instructions.
- The possibility of circumvention of controls either alone or through collusion with parties outside or inside the entity.
- Abuse of responsibility.
- Management override of controls.
- Fraud.
- Changes in environment making controls inadequate
- Human cleverness-however secure the computer code designed to prevent access, there is always some hanker who gets in!

In summary, this chapter discusses the importance and needs of the internal control to non-profit organization system in order to ensure the safeguard the organization asset, adherence to management
policies, reduce the fraud risk, and secure the accuracy and reliability of the records. Also, chapter discusses the internal control objectives, components, types, main categories, communication and the specific area of the business.

The chapter focus on the definitions of internal control framework from various researchers and books, and analysis to those definitions have been made the same result.

The chapter explains the efficiency and effectiveness of internal control is subject to the segregation of duties as the basic role of the internal control. It is important that supervisors to evaluate the internal control process not only at the level of individual businesses or legal entities, but also across the wide spectrum of activities and subsidiaries within the consolidated non-profit organization.

The chapter highlighted the relationship between audit and internal control, auditors they have to test organization internal control and ensure it is in place and worked properly because the external auditors are rely on internal auditors.

Also the chapter discusses the control subsystem within the accounting information system, mentioned the subsystem classified into (1) feedback control system (2) feedward control system. Also indicating the characteristics control subsystem.

Moreover, the chapter discuss the limitations of the internal control.
Chapter (3)

Case Study
and
Data Analysis
Chapter Three

Case Study and Data Analysis

3.1 Introduction

Due to rapidly increase of the United Nation (UN) operations and role worldwide, also there is an increasing requests for better internal control systems and report cards on them. Internal control is looked upon more and more as a solution to a variety of potential problems among UN system (sections, departments and units), accordingly internal control scope including many components of planning, monitoring, communications, segregation of duties, individual authorities and accountabilities.

Internal control structure defined as those procedures and policies which have put in place to assure the integrity of transactions and actions taken on behalf of the organization. Controls are intended to prevent or lessen the likelihood of either deliberate or accidental actions which act against the interest of the organizations.

The UN defines internal control as the “System or plan of accounting and financial organization within a business comprising all the methods and measures necessary for safeguarding its assets, checking the accuracy of its accounting data or otherwise substantiating its financial statements, and policing previously adopted rules, procedures and policies as to compliance and effectiveness.” www.un.org
The internal control of the UN reflects the overall attitude towards and awareness of control functions, as well as, the actions taken by the organizations to implementation control. This system operates at different levels of effectiveness and can be judged as successful if it provides reasonable assurance that:

- The organization's operations objectives are being achieved.
- Financial statements are being prepared reliably.
- Applicable laws and regulations are being complied with.

In view of the UN system there are five factors of control environments. These five pillars can be summarized in below:

- Organizational Structure
- Communications Methods
- Audit
- Performance Monitoring and follow-up
- Policies and Procedures

3.2 Objectives of the UN Internal Control Framework

Mr. David, Finance Officer in UN, he says about internal control objectives that the administrators shall maintain an internal financial control mechanism which shall provide for an effective current examination and review of financial, management and operational activities in order to ensure:

- The regularity of the receipts, custody and disposal of all financial recourse administered by UN;
• The conformity of commitments and expenditures with the allocations, appropriations or other financial provisions decided upon by the executive board, with the allocations decided upon by the administrator or with agreements between all UN agencies and other entities;
• The effectiveness and efficiency of the management in the economic use of resources and direction of those resources into productive channels.

3.3 **Principles of the UN Internal Control Framework**
Mr. David, highlighted the important of internal control principles which the UN try to address are as follows:

• Employees should be provided with a clear understanding of their responsibilities;
• Areas of potential conflicts of interest should be identified, minimized, and carefully monitored.
• Formal delegations of authority to perform particular actions and functions should exist.
• Written guidance as to the corporate rules for operations should be readily available to employees;
• Adequate training should be available for staff.
• Adequate levels of supervisions should exist.
• To the maximum extent practical, there should be a separations of incompatible duties.
• Steps to assure adequate physical security of assets.
• Steps assure appropriate insurance of bonding of employees are in place.
• Assets must be subject to periodic physical inspection and verification.
• Smallest amount of cash and assets needed to perform the task or mission.
• Numerical control of checks, receipts must be maintained.
• Regular reconciliations of bank accounts must be performed.
• Office closings and changes of responsible officers must be subject to formal closure and hand over procedures to assure full accountability is maintained.

3.4 The Accounting Procedures Manual
Continuation from Mr. David, he explain the policies and procedures for handling financial transactions are recorded in an Accounting Procedures Manual, describing the administrative tasks and who is responsible for each. The manual does not have to be a formal document, but rather a simple description of how functions such as paying bills, depositing cash, and transferring money between funds are handled. Writing or revising an Accounting Procedures Manual is a good opportunity to see whether adequate controls are in place. In addition, having such a manual facilitates smooth turnover in financial staff.

3.5 Organization Structure
Below diagram shows the UN organizational Structure; as described by Mr. David that there are Headquarters, Regional Bureaus and Fields Offices around the world and sections under Field Offices, UN
staff are recruited either locally as a national staff or globally as international staff based on certain criteria.

Figure 3.1 **Organization Structure**

![Organizational Structure Diagram]

**Sources/researcher own view**

The internal control in the UN are applies to all offices, including both the headquarter units and regional/country offices. However, not all functions are applicable to every unit, such as recording donors contributions; this function is limited to headquarter level.
Accordingly, each section has its own internal control boundaries, and all working force within the specific unit are responsible and accountable, starting from the head of unit and all the way down through the unit’s hierarchy. This accountability various from one staff member to another; whether national staff or international, as described in their terms of reference which takes into consideration the staff’s role in the office. However, the representative has the overall responsibility of ensuring that the office’s internal control procedures are documented and implemented.

The UN system in built on teamwork, and that an effective control environment is where competent staff understand their responsibilities, the limits of their authority, and are knowledgeable and commitment to doing what is right and doing it in the right way. This also, encompasses technical competence and ethical commitment. The environment is greatly influenced by the extent to which individuals recognize that they will be held accountable.

However, as mentioned from Mr. David the Finance Officer in the UN that, internal control is not applicable to all offices as well as to all sections, because each section has different departments and each department has different units. An example of that is the Support Service Sections, they have different Departments like Admin/Finance ... etc, and under The Finance Department there are various units, such as; receivable unit, payable unit (staff & non-staff), and under each unit different functions to ensure that effective accounting control system are in place, as in the following manner:
• **Cash receipts**  
To ensure that all cash intended for the organization is received, promptly deposited, properly recorded, reconciled, and kept under adequate security.

• **Cash disbursements**  
To ensure that cash is disbursed only upon proper authorization of management, for valid business purposes, and that all disbursements are properly recorded.

• **Petty cash**  
To ensure that petty cash and other working funds are disbursed only for proper purposes, are adequately safeguarded, and properly recorded.

• **Payroll**  
To ensure that payroll disbursements are made only upon proper authorization to bona fide employees, that are properly recorded and that related legal requirements (such as payroll tax deposits) are complied with.

• **Fixed assets**  
To ensure that fixed assets are acquired and disposed of only upon proper authorization, are adequately safeguarded, and properly recorded.
3.6 **Internal and External Audit**

Internal Control is subject to Audit, auditors ensure that internal control system is implemented in place. Auditors test internal controls in order to establish whether they are operating effectively throughout the period under review, if control are operating effectively, auditors can reduce the level of substantive testing on transaction and balances that would otherwise be required.

The internal controls are fundamental to the work of the internal auditor, and internal audit unit plays an important role in evaluating the effectiveness of control system, and contributes to ongoing effectiveness, accordingly the UN System, as stated by Mr. David have an internal audit unit sufficiently dependent within the organization, based in headquarter close monitoring and checking field offices in regular basis provided that change of personnel “i.e internal auditors cannot audit Country/Regional Office twice”, in order to contribute towards a strong control environment.

A key objective of internal auditor is to review the organization’s system of internal control and to provide assurance that the corporate governance requirements are being met as they are reporting to high-level management in the organization, and it is essentially an appraisal activity within an organization for the review of accounting, financial and other operations as a basis for services to management, by measuring and evaluating itself, is an important managerial control device.
The external auditors are rely on internal auditors although there are a difference of scope, approach and responsibility between them, however, both of them they are work closely together to ensure that the most efficient and effective use is made of both functions. This will include co-ordination of planning activity and sharing results of audit, as well as, they are interested in identifying risk and understanding the organization’s system of internal control. However, for fair of the organizations, they are looking for the external, independent and neutral body to evaluate the internal control system based on internal audit observations provided that the same audit firm is not contract twice with the organization.

2.7 Integrated Electronic System

Previously, UN had many systems into which data and information were recorded. Unfortunately, none of these systems were linked, which was led to repeated entry of the same information into various systems and sometimes information was entered in some systems and not in others.

Today, as mentioned by Mr. David, Finance Officer, that the main information system of the UN is introduced as fully integrated solution to UN business and information needs. Current UN Electronic System is comprised of many software packages and all the components are linked or integrated so there is one point of entry for information i.e information entered through one component can be viewed in other areas that use or require that same information. By integration the following is meant:
Internal Control Framework

- Linking offices, bureaus, HQ, departments
  - Linking of functions
  - Improve efficiency in process flow
  - Improved Reporting

In other words, integrated systems allow for information to be available across functional areas for management reporting purposes. Additionally, integration minimizes the duplications of data input.

The Electronic System comprises of various modules that are integrated to one another such as, Finance, Materials Management, Controlling, Project Systems, Fund Management, Human Resources and Transport (Logistics).

**Figure 3.2**  
**Integrated Electronic Systems**

![Diagram of Integrated Electronic Systems]

*Sources/researcher own view*
However, beside the fact that the electronic package system is fully integrated, the internal control mechanism is also implemented in each modules to ensure that segregation of duties is in place and each individual is working within the user profile.

Ideally, segregation of duties is an integral part of the internal control environment, which will assist and lead in understanding a function’s segregation of duties and related internal control effectiveness. Sales, accounts receivables, related cash collections are included. An example Finance Module:

**Table 3.1 Financial Accounting Module**

<table>
<thead>
<tr>
<th>Module:</th>
<th>Functions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Accounting</td>
<td>The Finance Modules are used for recording and controlling UN financial transactions. The modules are:</td>
</tr>
<tr>
<td></td>
<td>- General Ledger (recording of transaction)</td>
</tr>
<tr>
<td></td>
<td>- Accounts payables (control of vendor &amp; other creditors)</td>
</tr>
<tr>
<td></td>
<td>- Accounts Receivables (control of debtors &amp; donors)</td>
</tr>
<tr>
<td></td>
<td>- Fund Management (funding control)</td>
</tr>
<tr>
<td></td>
<td>- Investment Management(Project reporting)</td>
</tr>
</tbody>
</table>

**Sources/researcher own view**

In varying degrees, internal control is the responsibility of everyone in the organization. Almost all employees produce information used in the internal control system or take other actions needed to effect control. An essential element of a strong internal control system is the recognition by every employee of the need to carry out their
responsibilities effectively and to communicate to the appropriate level of management any problems in operations, instances of non-compliance with the code of conduct, or other policy violations or illegal actions that are noticed. This can best be achieved when operational procedures are contained in clearly written documentation that is made available to all relevant personnel. It is essential that all personnel within the organization understand the importance of internal control and are actively engaged in the process.

In the UN as in most entities, as Mr. David describe the most important internal control is segregation of duties, especially in an emergency situation. Segregation of duties aims to ensure that errors or irregularities are prevented or detected on a timely basis by employees. Segregation of duties provides two major advantages:

- Deliberate fraud is more difficult because it requires involvement of two or more staff members,
- Indicating innocent errors.

The above is possible because no single staff member has the control over two or more phases of a transaction. The UN Management assigns responsibilities to ensure a crosscheck of duties within a unit and within the office.

The method taken to achieve segregation of duties is:

- Taking a function that is indispensable,
- Dividing the function into separate steps,
- Assign each step to a different person.
With segregation of duties, functions in the UN office are categorized into three types of functions; authorization whether certifying or approval, record keeping and reconciliation. For example, in the Finance Department it is not possible to combine to role of receiving checks and approving write-offs, depositing cash and reconciling bank statements.

Based on above Finance Module, that no single transaction can be carried by one person in the Finance Unit. Those who are handling accounts receivable does not have access to those who are handling accounts payables and versa verse.

In addition, segregate the bank reconciliation function, is an extremely important internal control and must be done regular basis in order to promptly detect fraud and/or accounting errors, accordingly bank reconciliations should be done by a staff member with no other payment, banking or treasury related responsibilities.

Such of this segregation of duties implemented in the Finance Unit are applicable to the whole system of the organization.

As a result a payment will be prepared by more than one staff member and shall require signatures from two officials:

- Approving officer;
- Certifying officer;
Below tabulation presents an example of segregation of duties within the UN system, it reflects the relationship between different roles, and the related UN Electronic System “user profile”:

**Table 3.2 Segregation of Duties**

<table>
<thead>
<tr>
<th>Role</th>
<th>Duties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of the Office (Country Director)</td>
<td>Acts as Approving Officer</td>
</tr>
<tr>
<td></td>
<td>Authorization to enter into contractual arrangements with third party.</td>
</tr>
<tr>
<td></td>
<td>Financially Obligating funds.</td>
</tr>
<tr>
<td></td>
<td>Approves the subsequent payments</td>
</tr>
<tr>
<td>Admin/Finance Officer</td>
<td>Acts as Certifying Officer</td>
</tr>
<tr>
<td></td>
<td>Certifies that a spending authorization exists.</td>
</tr>
<tr>
<td></td>
<td>Certifies that funds are available.</td>
</tr>
<tr>
<td></td>
<td>Certifies that the use of funds is appropriate</td>
</tr>
<tr>
<td>Buyers (Assistants and Clerks)</td>
<td>Clerical work (data entry and analysis)</td>
</tr>
<tr>
<td></td>
<td>Process the approved Requisition.</td>
</tr>
<tr>
<td></td>
<td>Compliance with applicable guidelines.</td>
</tr>
</tbody>
</table>

**Sources/Researcher own views**

The segregation of duties does not end here; the clerical work is taken and broken-down into furthermore separate step. This is because of the integrated role carried on by assistants and clerks in the UN System.

In addition, staff members should have only one electronic system profile, and no staff can carry out two functions in the same time,
unless there is a valid justifications which consistent with their roles, such as:

- Staffs that approve non Purchase Order (PO) Vouchers (Approving Officer) cannot create non PO payment vouches (Finance Officer).
- Staffs that create POs cannot approve POs (Approving Officer).

### 3.8 Mapping of Internal Control regarding Committing and Verifying Roles

**Committing Officer**

- Activities financed within the mandate ➞ Finance Officer
- Budget and funds availability ➞ Finance Officer
- Compliance with procurement, HR or any other applicable guidance ➞ Approving Officer
- Commitment provides best value for money ➞ Assistant/Clerk

**Verifying Officer**

- Payment not previously made ➞ Finance Officer
- Supporting documents indicating goods or services received in accordance with contract terms ➞ Requesting Officer
- Payment made against a recorded Commitment ➞ Approving Officer & Finance Officer
For further elaboration, it was noticed throughout our study to the UN System, that an assistant/clerk does not initialize and prepare payments solely. For example, once the authority is granted to proceed with a requisition, this requisition is initiated by the Requesting Unit’s assistant/clerk, the certifying officer whom is the Finance Officer then certifies the availability of funds and also certifies that the requested unit has officially request the requisition of the goods/services in question. Follows that is raising the Purchase Order, this function is carried out by the Procurement Unit assistant/clerk. This Purchase Order is then approved by the approving officer whom is the Country Director, this is to ensure that the Head of Office agrees to the necessity of purchasing the goods/services.

Once the supplier provides the good and/or renders the service to the Requesting Unit, they initiate an Acknowledgement Receipt declaring that the goods have been received and/or services have been rendered.

At this stage the payment sequence is initialized by the Finance Unit upon receiving the invoice, the Finance Assistant/Clerk would verify this invoice and initiate necessary entries and then pass on the payment to the Finance Officer, who certifies that all supporting documents are available and that the payment is in order and conducts the payment. The function of writing the cheque is granted to the Finance Assistant/Clerk, who does not hold the custody of these cheques; it is the responsibility of the Finance Officer.
This cheque is later on presented to two signatories, the certifying officer and the approving officer.

Based on the above, it is clear that the UN considers segregation of duties and therefore internal control as an integral part of risk management and while internal control is a process, its effectiveness is a state or condition of the process at one or more points in time.

However, despite the strength of the internal control framework in the UN, but cannot isolate gas and loop holes such as simple human error or faulty judgments.
Chapter (4) Conclusion and Recommendations
Chapter Four
Conclusion and Recommendations

4.1 The Research Implications to the Internal Control Framework

Theory:
Developing a more effective community control and audit system along the lines outlined in the Literature Review (chapter two). The researchers are strongly encouraged to produce more broad studies of internal control, in order to update the control framework books. This will assist in the understanding of how the internal control system works and how it could be made more effective.

In addition, researchers have to deal with the internal control framework as an independent discipline. An observation during the study was that there were no books under the name of the “Internal Control Framework”. The only information found about this was in small sections in Auditing and Accounting Information System books. However, I strongly recommend that the researchers produce books or even papers about the internal control framework as an independent system. They when do this so that organizations can easily integrate this system into its nucleus without there being any hindrances to the organizational structure.

Moreover, management in the organizations, is commonly responsible for overseeing the day-to-day implementation of these policies and procedures. Due to the number of detailed requirements involved they have to ensure that managers and subordinates are
fully aware and well oriented about internal control framework, and do not assume that staffs have knowledge about the control system. Because researcher observations that there are lack of a thorough understanding the internal control, that most staff working in the non-profit organizations are not aware about internal control mechanism, because the system grant them a limit profiles in accordance with their roles.

In addition, currently most of the accounting system is computerized, management are encouraged to pay attention to the rapidly increased of advanced technology in order to manage and cover the gaps and loopholes that might appeared in the control system within the organization.

4.2 Conclusion and Recommendations

This study has set out the adequacy of the efficient and effective internal control framework in the United Nations. The prevailing system has its strength that timely achieves the set objectives without delay in the unexpected events.

In summary, the United Nations control activities are designed and implemented to address the risks that the organization identified through the risk assessment process described in chapter (3). Control activities involve three steps: (1) the establishment of policies; (2) the performance of procedures in accordance with those policies; and, (3) verification that the policies are being complied with.
Internal Control Framework

Control activities involve all levels of personnel in the organization, including senior management as well as front line personnel.

Below is point by point, the details of the efficiency and effectiveness of the UN internal Control framework:

- The United Nations Internal Control Frame work has simple, measurable, achievable, realistic and timely objectives.
- Segregation of duties and functions are in place. That means, the organizations is ensured that the personnel are not carrying out the same responsibilities.
- There is proper communication, and clear chain of command that guarantee policies and procedures are exchanged between staff without distortion and conflict.
- There is a continues checks and balances in regular intervals that fin tune and correct the inconsistency in the system in a timely manner.
- Rotation of duties among staff that no single staff is handling tasks and functions for a long time. This in itself a building capacity of staff.
- The system is integrated and well connected globally which allows the head quarter to close monitor the field offices and draw their attention for corrective measures when deviations are observed.
- Each staff members have only one electronic system profile, which, in conformity with their roles, this in turn will enforce the segregation of duties and reduce the risk of any sort of malpractice.
• The United Nations System is compliance with an established internal control system is heavily dependent on a well-documented and communicated organizational structure that clearly shows lines of reporting responsibility and authority and provides for effective communication throughout the organization. Which lead the allocation of duties and responsibilities should ensure that there are no gaps in reporting lines and that an effective level of management control is extended to all levels of the bank and its various activities.

4.3 Recommendations

Despite the UN internal control framework is transparent, strict and accountable, but there are inherent observations. UN System is meet internal control requirement –no doubt- although the following can be measured as an observations:

• Although periodical audit and review mission are useful, but it might be expensive in view of the dwindling resources to the United Nations hence country offices are recommended to establish compliance units within, in order to reduce the high cost of overseas missions.

• The system to be fixable to the filed offices and subordinates in terms of delegation of authority, in order to enhance the procedures and lessen the bureaucracy. In other words, the reality on ground might be different from the ideal situations described in manuals, however, in such circumstances authority is to delegated to the field to adapt the rules to local reality.
Due to the expansion of the operations in Sudan, in the aftermath of Darfur crisis and the increasing demand over the approved budgets, the decentralized Area Offices are deprived of the luxury of the use of the electronic system, due to this all Area Offices are reporting manually which will open a horizon of mistakes, delay of transactions, time lag in reporting, beyond the set deadlines. Hence resources to be mobilized to electronically connect the Area Offices with the Country Offices to expedite the procedures, timely reporting and eliminate tampering with data.

Also observed that UN are begin to lose the qualified staff due to offers received from the multi-national companies within the country, as result recruiting of new staff, might create a gap till the new staff will cope and capture with the system which will effect control mechanisms.

4.4 Suggestions for Future Researches
The researcher is suggesting the following areas in the internal control to be considered for future researches for further elaboration about internal control framework:

- Internal Control Framework via Profit and Non-Profit Organizations.
- The Effect of Internal Control System on Management Decisions.
- The Application of Auditing Sample to Non-Profit Organizations to Streamline the Strengths and Weakness
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