

The Role and Importance Of The Accounting System and Internal Control

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Abstract: The concept of accounting system and enterprise internal control is the basis for tracking the growth and development of operations, productivity and capital. While the accounting system performs the steps of monitoring, recording, classifying documents, preparing reports and making them publicly available, internal control systematically checks all activities performed in the operation of the enterprise. The ultimate goal of accounting and control is to continuously generate information that will provide quality and positive results in the operation of the enterprise. In the operation of business entities, the intertwining of the accounting system and internal control is an ongoing process.

In general, internal control is present everywhere in the enterprise, in the administrative department, in the financial sector, in the accounting system, etc. Through control we have information not only about economic transactions, but also about employees, managers, executives, sales, inventory, and so on.

Internal control creates the opportunity for greater efficiency, improved quality, motivation of employees, as well as creating a clean working atmosphere.

In this way, the responsible persons through the information from the accounting system and the information obtained from the internal control can influence the financial performance as well as the position of the company. Due to the different volume of business entities, the large number of daily transactions, cash payments, purchases, sales, different markets and so on. of great importance is the inspection of the accounting system and the constant control of the enterprise.

Keywords: control, system, documents, responsibility, quality.

1.INTRODUCTION – accounting system

Modern digital accounting has been created for the purpose of management. Its purpose is to harmonize the planned activities and the effect achieved as an end result of the enterprise.

Namely, an accounting system is a place where all departments, levels and places of the business entity are connected.

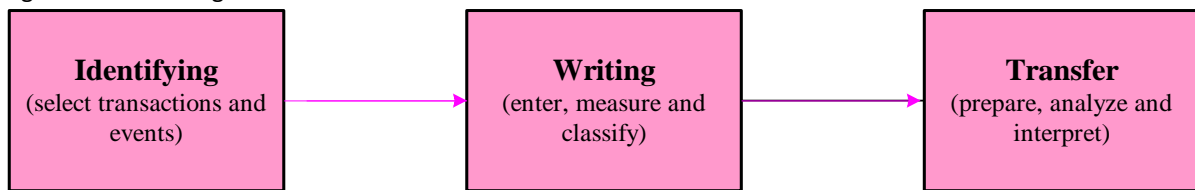
Hence, the relationship and management at all levels of decision-making are emphasized.

Because the accounting system intervenes in different places with the needed information.

In fact, the accounting system affects many aspects of operations.

Through the recording and processing of business, economic and other transactions, the company makes a profit, invests in different areas, budgets, plans, controls and looks more clearly into the future. Of course, all of these activities relate to internal users, and especially to management decisions. But the system also generates accounting information through the digital network with the ability to reach out to various external users of financial reports (shareholders, customers, creditors, government regulators, journalists and others).

Figure 1. Accounting activities.¹



According to the authors, Horngren and Stratton: "all managers in all organizations are better equipped to perform their duties when they have a certain understanding of accounting data.

For example, knowledge of accounting is crucial to government agency decisions related to research and defense contracts and loan guarantees ...

In fact, in managerial research, accounting is ranked as the most important course for future managers."

2.SPECIFICS OF INTERNAL CONTROL - INSIDE THE BUSINESS ORGANIZATIONS

Internal control can be presented as a system of financial , accounting and additional controls.

Namely, it measures between the previously set goals and the results achieved at the end of a given period. Internal control especially emphasizes human resources management and organizational setup.

Control is especially helpful in planning, because through control reports, managers can make a much more successful plan. Also, control gives a clear picture of the state of the enterprise as it is the cause of increased security. Internal control is necessary to produce regular reports. The need for timely reporting to management is a priority of control.

Reports should show all the major deficiencies discovered, for example, places where control is not functioning, places where there is over control, and so on.

In addition to such data listed in the control reports, it is necessary to identify some problems, shortcomings, as well as suggestions and ways of removing or solving them.

In fact, businesses should also integrate internal audit to confirm the assessment of the system of safety and soundness of operation. If there are any irregularities in the audit report, it is necessary to state the findings and recommendations for removing the identified weaknesses in the control system. Control is essential in every segment, and is especially important in the performance of business operations in enterprises and organizations.

It is a reaction to everything that is incorrect, irregular, untimely, creates certain problems, and is also a motivation for employees.

Business organizations constantly exercise control.

If we ask ourselves: why is there a constant need for control, when at the end of the business year it is legally necessary to conduct an inventory? Here we can underline that control refers to employees, production, sales, costs and so on.

In fact, businesses practice internal control so they can protect their employees, protect their assets, from theft, damage or certain mobbing. Internal control also refers to administrative controls and accounting controls. Administrative control involves the organization's plan, while accounting control involves procedures for confirming transactions, accuracy in financial records, and so on. "Accounting control assesses the correctness of business in the spirit of applicable legislation, normative business practices or customary practices and removes common anomalies and manipulations."²

¹Wild, J. J., Shaw, K. W., & Chiappetta, B. (2010). "Fundamental Accounting Principles", 19th edition, pp.4.

² Tomovski, S. (2003). "Basics of Accounting", pp.22.

2.1. Specifics and importance of internal control

Usually in the internal control system there are certain characteristics and specifics that the responsible person - controller should know very well.

Namely, one of the most important elements in the control system is the staff. Here, we will emphasize the need for competent and honest people who do their job responsibly.

If an organization conducts training for a certain type of controller, after the selection is made, the responsibilities of the individuals need to be determined. Certainly, these individuals need to build personal authority and with their ability, experience and knowledge to best control the enterprise. There may be an omission in the selection of quality controllers. For example, to choose people who are not trusted, are prone to fraud and do not perform their tasks fully.

Therefore, evaluation means at the same time deeper monitoring of activities and demanding continued responsibility from the selected controllers.

This means that any inspection carried out should be confirmed and signed by the responsible controller who guarantees the said remarks. Also, certain duties need to be divided by individuals. This is because they are in control of one another and they know their place in the organization. But monitoring is needed, as in such cases there may be a conspiracy.

In addition to monitoring, the company is required to perform an internal audit at certain times of the year. The task of the internal audit is to detect gaps and irregularities in the work, as well as to detect conspiracies, thefts and so on.

In the complexity of work every employee is in charge of his / her job with certain tasks and activities.

For example, the accountant (controller) in the accounting system uses accounting software to enter data, but the computer programmer has the passwords for certain changes, both in the system and in the software. In service and market companies the cashiers charge the amount of the service or product, but the final balance is controlled by the accounting manager - controller.

Permanent control reinforces the system of work in enterprises. Also, in banking operations, cash payments are made. Some people deposit, others raise cash, use loans and repay monthly annuities from the approved loan. All this is done by banking officers, but the chief banking manager controls their work. At the same time, he is responsible for both the bank's employees and clients.

There are numerous documents circulating in companies. Starting from original documents, invoices, bills of exchange, copied documents and more. On the basis of these documents, permanent records are made both in the Diary and in the General Ledger. All these documentation and records confirm the correct way of working. But mistakes can also occur that may not be the fault of the accountant.

Namely, the untimely arrival of the documentation may occur. There is a possibility of incompleteness in deliveries. Price changes, rising costs etc.

Therefore, business organizations need to minimize mistakes.

Through the constant monitoring of digital business innovations, the numbering of each product, the acquisition of an optical bar code reader, etc. All of these elements make the job easier and the records more accurate. In addition, business organizations also minimize cash losses by avoiding certain costs that were previously incurred but were not necessary.

In fact, large enterprises (companies) need to add physical protection in order to improve internal control.

For example, increased security, better lighting and limited access, locking valuable things in safes, setting more alarms, and so on.

Therefore there is a necessity protection to be conducted by rotating employees from one job to another. Internal control should also practice to hire certain people for a fixed period to replace permanent employees. In addition to all these safeguards, companies should conduct independent audits by internal and external individuals (firms).

For example, checking the accounting system by a public accountant. Perform an independent audit by an internal auditor and determine the correctness of the operation.

In this way, it is necessary to conduct periodic or annual audits, as well as to test the responsible persons - controllers involved in the accounting system and internal control.

3.INTERNAL CONTROL MANAGEMENT REPOSIBILITY

In practice, internal control is part of the control that is the task of management to measure, correct and create in order for the enterprise to achieve its intended results.

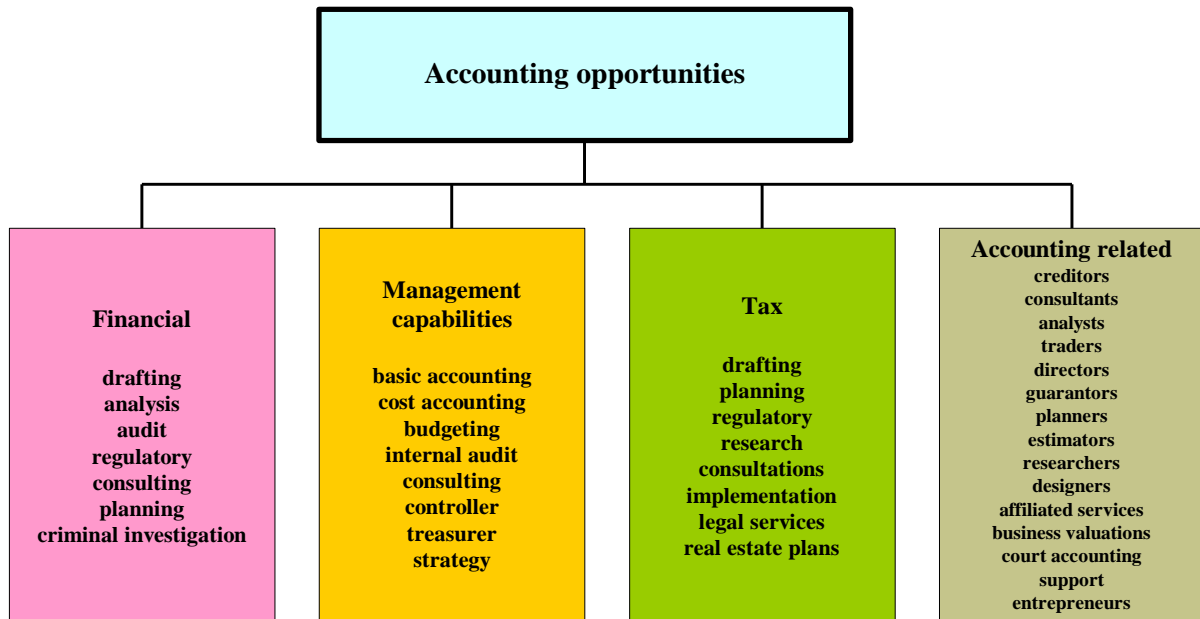
According to INTOSAI, control is: "the organization, policies and procedures used to ensure programs deliver the expected results; that the resources used in these programs are consistent with the goals of the organization concerned; that programs are protected from loss, fraud and maladministration and that reliable and timely information is available that is used in reporting to support decision-making; "

Namely, managers who have control responsibility need to provide reliable financial records.

That is, to establish procedures and implement them to achieve full control over the operation. Of course, managers are required to create an organizational structure to ensure the operation, monitoring and development of an effective control system.

Here we will also emphasize the need for pre-defined rules and the designation of persons to undertake the responsibility.

Figure 2. Accounting opportunities.³



It is the responsibility of managers to choose the correct accounting system. If the system is integrated into the business organization we will have excellent office work. All this will save time and money, as well as improve internal control.

We will confirm the responsibility of the management by preparing a report that will confirm the adequacy of internal control.

In the report, management lists all observations, a description of the structure, and the duties of the controller - auditor.

³ Wild, J. J., Shaw, K. W., & Chiappetta, B. (2010). "Fundamental Accounting Principles", 19th edition, pp. 6.

CONCLUSION

In order to have quality control, it is necessary to continuously carry out control activities.

Enterprises in the business process need to incorporate a control system.

This system should include subsystems, administrative control system and accounting control system. According to the scope and type of organization it is necessary to design the entire system for internal control. During operations, additional controls are needed to improve and increase the success of the enterprise.

In the context of the content of the paper we can emphasize that the role and importance of the control and accounting system is perceived mostly in:

- ❖ Monitoring and harmonizing the work with the legal regulations,
- ❖ Economical, efficient and effective use of funds,
- ❖ Avoidance or reduction of risks,
- ❖ Protection of employees, property and assets,
- ❖ Stable financial management,
- ❖ Responsible and accurate recording of financial transactions,
- ❖ Strengthening the accountability in the execution of the tasks,
- ❖ Timely financial reporting and preparation of financial statements,
- ❖ Fulfilling the mission of the enterprise.

Namely, the enterprise needs to hire trained personnel, primarily from information (digital) technology that can respond to the requirements of the business operations. This will reduce the chances of a certain risk, not being able to make mistakes, because software applications will not allow it. At the same time the business process will be faster and clearer.

In the concluding remarks, it is important to note the importance of respecting ethical values.

Controllers - managers usually have to be individuals with their own integrity, honest people who obey the rules of operation and legal regulations.

Of course, everyone needs to have professionalism and personal authority.

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