

# CONTROL PROCEDURES IN ACCOUNTING

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## 1. Introduction

The vehement expansion of information and communication systems and their broad availability represent the steadily mounting risk of attack of these systems - whether intentionally, accidentally or caused by any mistake or innocence. However, most of companies don't be aware of this risk at all. That's why the poor awareness of the computer security and the importance of controls are the greatest danger just at the moment.

The only thing that the present business companies credit for is the information. Provided that they don't value of their data and once they forfeit this valuable information, then they realized that only the deprival of this information is very appreciable for them.

Information is necessary to defend as well as other business assets. It holds true for accounting data all the more. Provided that the larceny occurs the company won't feel this waste as badly as the damage of accounting data. That's why is the question of the security of information very up to date problem.

The danger of the possible data contamination or corruption of data calls out the enhanced fears not only for the designers of information systems but firstly for the accountants who handle with these data everyday.

## 2. Control Procedures in Accounting

There are appropriate accounting and tax rules in accounting that govern the bookkeeping. These rules contained in [1] [2] [3] [4] regulate the accounting principles, records, methods, tools and the general procedures that every accountant has to observe. Every company keeping accounting creates its by-laws likewise that are updated regularly. These by-laws state the particular procedures for the accounting of assets, inventories, cash in hand, costs and revenues, the procedures for the stocktaking, document flow. The special by-law should be the one containing the control procedures.

The accountants should think of the following controls and they should observe them rigorously:

- Control of primary documents (the greatest sources of mistakes, there are different amounts listed in the primary documents and in accounting software);
- Control of the voucher and tax requirements;
- Control of the objective accuracy and the formal correctness of the accounting and tax documents;
- Control of the accounting records numbering (it is the proof of completeness of accounting);
- Control of the scheduling of the amounts charged in different accounts (especially in compound entries);
- Control of the carrying amounts (it is possible to make mistakes in the charging of disbursements);
- Control of the most frequent accounting records (another source of mistakes - incorrectly selected account coding);
- Control of the less commonly correspondence of accounts (the account coding doesn't make sense or it is not in accordance);
- Control of the accounting classification (the application of the account that doesn't exist in the chart of account);
- Control of the headings of the particular accounts (there is no identical name of account in the chart of account);
- Control of the matched accounts (account receivable ledger);
- Control of the balances of the particular accounts (some accounts mustn't show balance, some of them mustn't show negative balance, the accountant forgot to charge on the particular accounts - depreciation, travelling expenses, stocktaking difference, shortages and losses, profit distribution, payment of a loss);
- Control of the opening balances at the beginning of the new accounting period;
- Control of entering data (the most frequent source of mistakes if the accountant doesn't revise his or her records);

- Control of outputs (the mistaken data record, the poor selection of data - additional adjustments of statements, incorrect accounting periods, selections of certain accounts - improper data filtration);
- Control of the new version of accounting software (is new version of the software according to the up to date legislation?);
- Control of the double entries in the form of the trial balance;
- Control of the synthetic records and analytical accounts;
- Control of the journal and the general ledger;
- Control of the accrued costs and deferred revenues in the correct accounting period;
- Control of the actual and accounting balance of accounts (different amounts in accounting, different facts - they signify the inconclusiveness of the accounting);
- Control statements (even if the results of the control prove no mistake, it doesn't mean that there is no fault in accounting records. The accountants should rely on controls mentioned above).

The mistakes caused negligently have the same relevant effect as the wilful mistakes. Both of these mistakes have the considerable consequences for the company. By observing of control principles and control mentioned above the accountants can reduce the probability of occurrence of his or her faults. The only thing that we should warmly recommend them is the rigorous control of his or her work.

We summarize just the most important principles:

- Rigorous control of the entering data;
- Control of records in the accounting system as most often as possible;
- Routine control of balances of the particular accounts;
- Careful control of the inputs entering into accounting software;
- Careful control of the calculations;
- Control of the proper and actual parameter setting of the accounting system;
- Careful revision of the objective accuracy and the formal correctness of the accounting and tax documents.

We draw attention to the danger of dispraise of control statements results once more. The ima-

ginary message that the accounting is in good order and all accounts show correct balances doesn't mean that there is no fault in the accounting records. The only one incorrect selected accounting coding is enough for it. The accountant without sufficient experience who will rely only on the information that his or her accounting is in good order may cause unexpected damage. It appears from this that the accountant has to control and control all the time.

### 3. Recommendations for Accounting Data Security

The recommendations for the security of accounting data could be divided into following parts: rules for the password handling, rules for data backup, rules for closing of applications, rules for Internet, rules for the electronic mail and the rules for the physical security of data.

#### 1. Rules for the password handling:

- Password mustn't contain user name (namely even in the changed form);
- Password mustn't be derived from information concerning the user;
- Password mustn't be possible to guess easily (it mustn't contain user name, telephone number, birthday, car make);
- Password could be an combination of text and numbers (preferably without characters Z or Y that could be exchanged very easily);
- Password length mustn't be shorter than 8 characters;
- Passwords should be easily memorized. We are allowed to write them nowhere;
- Nobody is allowed to know your password (namely even your faithful friend);
- Password should be changed periodically;
- It depends whether the password is entered in capitals or not (otherwise it is likely that we won't be able to login);
- It is suitable to use password for important files (and we have to keep this password in secret).

#### 2. Rules for the data backup:

- Periodical backup is the necessity;
- We use the safety computer media (no floppy disks, but hard disk, exchangeable disk, flash disk);
- Computer media which we want to open data we have to test by the antivirus program in

advance (likewise the computer media may contain viral infection);

- Backups are saved in the secured places where unauthorized person is able to come);
- We compile several copies of the same backup (if we couldn't start the program we would use the backup);
- The acquisition of the Uninterruptive Power Supply (UPS) is the absolute necessity nowadays;
- We save different version of documents (we can return to any version that we need).

### 3. Rules for the closing of applications:

- We never close the computer programs or applications violently (all programmes or applications should be properly closed and after that we can shut down the computer. Otherwise we could forfeit our data).
- If an error message appears on the computer screen we are in abeyance. It may be a shortage of memory, hardware defect, and network overload. We confirm the message and wait a moment.
- If an unusual closing of the computer programme occurs we run the program again. We always revise whether we didn't forfeit our data. If yes, we insert wasted data into the computer as soon as possible. Just after we perform the data backup.

### 4. Rules for the electronic mail:

- We never open the file contained in the attachment of the electronic mail (sended file may involve the viral infection. It is better to safe the attachment of this file on the hard disk and after that to test it by the antivirus program. Even if the file is in order we open it in the read-only mode).
- We never open the attachment to any file that we required (it may contain viruses).
- We never respond to the suspicious offers (we will burden with these offers permanently. It is better to clear delete these kinds of offers or to set the message filtration. This kind of intrusion is known as spamming).
- We use encryption for the secure message sending (the most favourite encryption program is PGP, [www.pgp.cz](http://www.pgp.cz)).

### 5. Rules for the Internet:

- We update the antivirus program as soon as possible (new viruses appear every day. Mere-

ly up to date version of this antivirus program ensure the reliable detection and liquidation of viruses).

- We install the software patches as soon as possible (some types of viruses use the security leaks in the operating systems and programs. The user can download these patches from Internet).
- We are very solicitous about the download of files or programs from Internet (the download file can be dangerous. We obliged to set the suitable level of security in the Internet browser. Option Internet possibilities, card Security in the program Internet Explorer).
- We don't browse the „attractive“ web sites (there is a potential danger of the viral infection again in the computer. Moreover, there is an additional risk of the redirection on the other sites that are not protected, which it will cost us plenty of money).
- We browse the protected web sites (we recognize them by the symbol of the lock and the web site address that begin with the letters https instead http).
- We protect from the undesirable advertisements with the anti-spam software (program Ad-Aware).
- We protect our data with the firewall (program Kerio Personal Firewall).

### 6. Rules for the physical security of data

- We don't let computer unattended (the drop-in in the office can steal data from the computer. It is better logout properly).
- We don't let the computer media on our work table (anybody can steal them and misuse against the company).
- We provide the safe liquidation of business correspondence (we don't throw away any business documents, not even the draft copies straight into the bin in principle. Somebody else who finds them can misuse this confidential information).

And one of the most important fundamental in the end: Keep cool upon any terms.

## 4. Conclusion

The protection of information and information systems from the undesirable risks is the smart question nowadays. The purpose of this paper

was to improve the awareness of the role of controls in the accounting systems and to offer a proposal of the recommendations for a better security of business data. The recommendations mentioned above can use not only the accountants themselves, but any user of information system who is very interested in the security of his or her data.

**References:**

- [1] České účetní standardy pro podnikatele 001 - 023
- [2] Vyhláška č. 500/2002 Sb., kterou se provádějí některá ustanovení zákona č. 563/1991 Sb., o účetnictví, ve znění pozdějších předpisů, pro účetní jednotky, které jsou podnikateli účtujícími v soustavě podvojného účetnictví

[3] Zákon č. 563/1991 Sb., o účetnictví, ve znění pozdějších předpisů

[4] Zákon č. 586/1992 Sb., o daních z příjmů, ve znění pozdějších předpisů

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**ABSTRACT****CONTROL PROCEDURES IN ACCOUNTING****Miroslava Dolejšová**

*The controls are usually connected with the information systems and the accounting. The accountants should be interested in the verification of accounting data and their security. The verification of correspondence of accounts and the account classification, the controls of the objective and formal accuracy of the accounting and tax documents, the controls of the journal and the general ledger, the controls of the synthetic and analytical accounts, the verification of unusual accounting transactions, the controls of the accrued costs and deferred revenues and the controls of the complete accounting ahead of time for making return should be matter of course for the accountants. Likewise they should verify the parameters of the accounting system such as the current rate of value added tax, the rate of social and health insurance, the depreciation rate or information on the accounting entity. The most vital verification is the continuous control of the accounting data.*

*At the same time the paper describes the recommendations in the accounting data security: the rules for the password handling, the rules for the data backup, the rules for the closing of applications, the rules for the electronic mail, the rules for Internet and the rules for the physical security of data. The rules mentioned above and the controls described in this paper can assist the accountants to better secure their accounting data.*

*The main purpose of this paper is to familiarize the readers with the significance of information security in the accounting, the application of controls in the accounting information systems and to offer the recommendations for accountants using accounting data for the day-to-day exercitation. Likewise, it is intended for everybody who wants to secure his or her data.*

**Key Words:** information system, risk, security, accounting, accounting controls

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