



INTERNAL CONTROLS

Senior management of companies rely on internal auditing for insight and objective assurance that existing **internal controls** are adequate to mitigate the organization's risks, governance, and risk management processes are effective and efficient, and the organizational goals and strategic objectives are met.

There are five components of an internal control system:

1. Control Environment
2. Entity's Risk Assessment Process
3. Information System
4. Control Activities
5. Monitoring

Once an organization's internal controls are tested on its effectiveness and efficiency, an audit report is then issued stating the auditor's discoveries. The audit report will include one of the following four types of opinions:

1. Unqualified Opinion
2. Qualified Opinion
3. Adverse Opinion
4. Disclaimer of Opinion

There are three types of internal controls:

1. Preventive: most effective because they help prevent the loss of assets and are not very expensive
2. Detective: seek to identify when the preventive controls were not effective
3. Corrective: used to correct the issues found with the detective controls



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