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# Effective Internal Controls for Asian Countries: Maximize Efficency of an Organization and Deter Fraud

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### Research Highlights

This article concludes that internal controls deter frauds, financial errors, and safeguard against corruption and misappropriations. Based on the findings of case studies of cash stealing fraud of a restaurant (Marden & Edward, 2005) and the fraud at Blue Grass Airport of USA in 2010 (Noland & Metrejean, 2013); U.S. COSO framework (COSO, 2013); U.S. Government websites, this article suggests that three objectives and five internal controls components of COSO and seventeen associated principals (GAO, 2014) are vital to maximize efficiency and deter fraud. The six factors are recommended for governmental effective controls as "enhanced guidance and implementation, a vigilant approach to monitor program objectives, management's support for an organization's goals, risk assessment and benefit analysis (CBA), an evaluation process by the management to assess design and operation of controls, and the accountability of management" (Malik, 2017, p. 43). Template shown in Figure 1 is recommended for Asian Countries (Malik, 2017).

#### **Graphical Abstract**

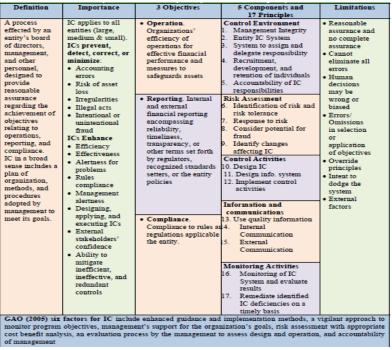


Figure 1. Internal Controls for Management. Source: (Malik, 2017).







### **Research Objectives**

The purpose of this article is to formulate an internal controls framework for instituting effective internal controls for the Asian countries private sector companies and public sector organizations. This research formulates recommendations for company management and governmental organizations of Asian countries regarding effective internal controls. Latest trends formulated from modern industry's best practices, private sector companies and public sector organizations including U.S. DOD can be utilized by the Asian countries as a useful document to design a suitable internal controls for the company management and governmental organizations. The recommendations of this research may also assist the investors to assess the financial health of a company prior to undertaking investment decisions. Based on findings of this article a company can formulate a course of action for the company management to guarantee effective internal controls to prevent assets misappropriations, fraudulent financial statements reporting and general financial frauds. The internal controls assist the management of an organization through preventive and detective controls (Whittington & Pany, 2012). The internal controls contribute in accurate financial statements preparations, conclusive and error free financial records, fraud detection, prevention of unlawful acts and misappropriations, successful and efficient business operations, and assets' conservations (ACCA, 2016).

# Methodology

The article methodology encompass literature review of internal control that includes private sector internal controls and governmental organizations internal controls. This article utilizes data of scholarly articles, United States leading COSO (2013) internal control framework, United States GAO, DOD, and other United States Governmental websites to build article lietrature for utilization by the developing countries of Asia. Based on results and findings of this research, a recommended internal controls framework is formulated for the management of Asian countries private sector companies and public sectors organization encompassing best practices regarding internal controls.







## Results

This article studied the need of effective and proficient internal control framework for efficient management of companies and organizations of Asian countries to deter fraud and financial errors. The results and findings section identified the best suitable effective internal controls for implementation in Asian countries The private and public sector organizations of Asian countries are facing challenges in achieving goals and objectives of their companies and organizations due to lack of effective internal controls. Asian countries can undertake preventive measures through effective internal controls to avoid unintentional or intentional frauds and can ascertain financial errors at initial stages to safeguard against big losses at later stages.

The internal controls assist the management of an organization in preventive and detective controls. The internal controls assist in accurate financial statements preparations, conclusive and error free financial records, fraud detection, prevention of unlawful acts, successful and efficient operations, assets' conservations and preservation. Asian countries can undertake preventive measures through effective internal controls to avoid unintentional or intentional frauds and can ascertain financial errors at initial stages to safeguard against big losses at later stages.

This article concludes two hypothis as follow.

- H1: Effective internal controls maximzes efficeienvy of an organiztion.
- H2: Internal controls deter finacial fraud and missaproprations.

#### Findings

The results and finding of this article recommends that COSO internal controls are equally important for private and government organizations of every country to deter frauds, financial errors, and safeguard against corruption and misappropriations. All the objectives, components and principals are recommended for the private companies and government organizations of Asian countries to deter frauds and achieve operations efficiency. Internal Control template shown in Figure 1 template is recommended for Asian Countries. This template is equally useful for private sector companies and public sector organizations. Asian Countries should design and implement their own internal controls based on COSO framework.







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