

- Organizations need a culture that stresses integrity and commitment to ethical values and competence
- Organizational structure
 - Framework for planning, executing, controlling, and monitoring operations
- Methods of assigning authority and responsibility
 - Management should assign authority and responsibility for employees to departments and individuals
- Human resource standards
 - Encourage honesty, efficiency, and loyal service
- External influences
 - Includes requirements imposed by stock exchanges

Describe how to communicate information and monitor control processes in organizations.

- Communicate information through the audit trail which allows detailed transactions to be traced
- Can monitor control processes by conducting periodic audits, install fraud detection software, monitor system activities

Explain how to assess and respond to risk using the Enterprise Risk Management (ERM) model.

- Assess inherent risk- exists before management takes any steps to control the likelihood or impact of an event
- Develop a response
- Assess residual risk- what remains after management implements internal controls or some other responses to risk
- Respond to risk
 - Reduce the likelihood and impact of risk by implementing internal controls
 - Accept the likelihood and impact of risk
 - Share risk or transfer it to someone else
 - Avoid risk by not engaging in the activity that produces risk

Describe control activities commonly used in companies.

- Proper authorization of transactions and activities
- Segregation of duties
- Project development and acquisition controls
- Change management controls
- Design and use of documents and records
- Safeguarding assets, records, and data
- Independent checks on performance

Explain why management's philosophy and operating style are considered to be the most important element of the internal environment.

- Management sets the tone for the control environment of a business