

The Impact of Internal Controls on Detection, Control, and Prevention of Asset Misappropriation in Business Entities of Western Province

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Abstract

Fraud and corruption are serious problems facing not only Sri Lanka but the whole world. A powerful strategy that organizations use to deal with that problem is internal controls. Many Studies have been conducted in various countries on how this internal control affects corporate fraud involving misappropriation of assets. This study aims to examine how the internal controls affect the detection, control, and prevention of asset misappropriation in business entities in western province in Sri Lanka. A business entity in the Colombo district has been used to represent the population of entities in western province of Sri Lanka. Data were collected through a self-administered questionnaire distributed among internal auditors who had audited organizations in the Western Province. Based on the results of the research, it was confirmed that all components significantly affect asset misuse, detection, control, and prevention in Sri Lankan organizations. It has also been found that the component with the highest impact is the information and communication component, followed by the monitoring activities, control environment, and risk management components, respectively. This study found that control activities were the component with the least impact. This study has recommended that all organizations can minimize asset underutilization by using the internal controls effectively and efficiently.

Keywords: COSO Framework, Assets Misappropriation