



Financial control

TUKHTASHOV JALOLIDDIN 11.092021



What are financial controls?

Financial controls are the procedures, policies, and means by which an **organization** monitors and controls the direction, allocation, and usage of its financial resources. Financial controls are at the very core of resource management and operational efficiency in any organization.

Required Processes

The implementation of effective financial control policies should be done after a thorough analysis of the existing policies and future outlook of a company. In addition, it is important to ensure the following four processes are completed before implementing financial control in a business:

-
1. Detecting overlaps and anomalies
 2. Timely updating
 3. Analyzing all possible operational scenarios
 4. Forecasting and making projections
-

1. Detecting overlaps and anomalies

Financial budgets, financial reports, [profit & loss statements](#), balance sheets, etc. present the overall performance and/or operational picture of a business. Hence, while formulating financial control policies, it is very important to detect any overlaps and/or anomalies arising out of the data available. It helps in detecting any existing loopholes in the current management framework and eliminating them.



2. Timely updating

Financial control is the essence of resource management and, hence, the overall operational efficiency and profitability of a business. Timely updates of all available data are very important. In addition, updating all management practices and policies concerning the existing financial control methods is also equally important.

3. Analyzing all possible operational scenarios

Before implementing a fixed financial control strategy in an organization, it is important to thoroughly evaluate all possible operational scenarios. Viewing the policies from the perspectives of different operational scenarios – such as profitability, [expenditures](#), safety, and scale of production or volume – can provide the necessary information. Also, it helps establish an effective financial control policy that covers all operational aspects of the organization.





4. Forecasting and making projections

While implementing a financial control policy, forecasting and making projections are very important steps. They provide an insight into the future goals and objectives of the business. In addition, they can help establish a financial control policy in accordance with the business objectives and act as a catalyst in achieving such goals.

Importance of Financial Controls

FINANCIAL CONTROL

Importance of Financial Controls

1. Cash flow maintenance

Efficient financial control measures contribute significantly to the cash flow maintenance of an organization. When an effective control mechanism is in place, the overall cash inflows and outflows are monitored and planned, which results in efficient operations.

2. Resource management

The financial resources of an organization are at the very core of any organization's operational efficiency. Financial resources make available all other resources needed for operating a business. Hence, financial resource management crucial in order to manage all other resources. Effective financial control measures hence are crucial to ensure resource management in an organization.

3. Operational efficiency

An effective financial control mechanism ensures overall operational efficiency in an organization.

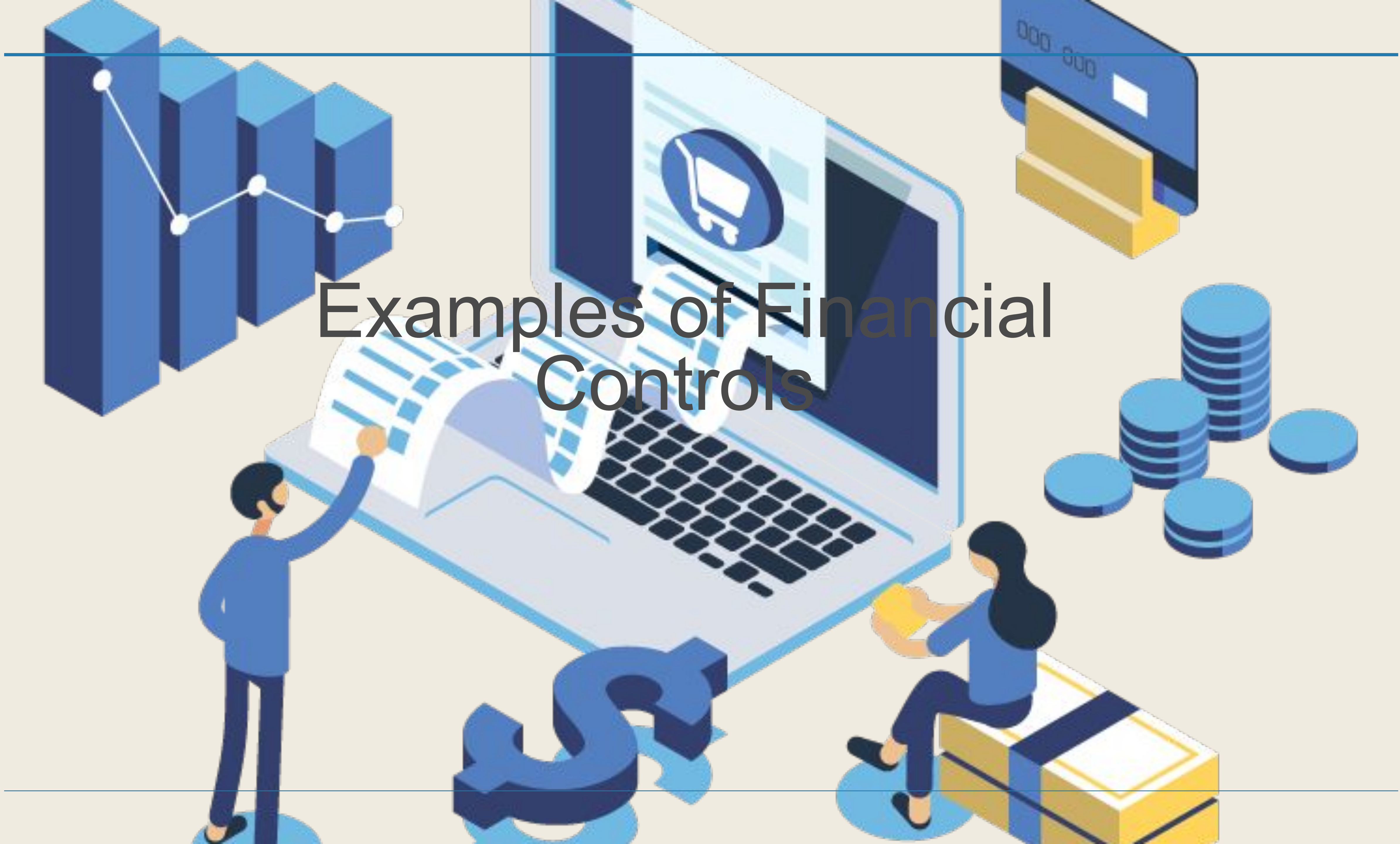
4. Profitability

Ensuring an organization's overall operational efficiency leads to the smooth functioning of every organizational department. It, in turn, increases productivity, which comes with a direct, positive relationship with profitability. Hence, establishing effective financial control measures ensures improved profitability of any business.

5. Fraud prevention

Financial control serves as a preventative measure against fraudulent activities in an organization. It can help prevent any undesirable activities such as employee fraud, online theft, and many others by monitoring the inflow and outflow of financial resources.

Examples of Financial Controls



1. Overall financial management and implementation

- Placing certain qualification restrictions and employing only certified, qualified financial managers and staff working with the formulation and implementation of financial management policies
 - Establishing an efficient, direct chain of communication among the accounting staff, financial managers, and senior-level managers, including the CFO
 - Periodic training sessions and information sessions among accounting staff, etc. to ensure being updated with the changing laws and evolving business environment concerning business finance
 - Periodic, thorough financial analysis and evaluation of financial ratios and statements wherever fluctuations are significant
 - Delegation of financial duties in a segregated and hierarchical fashion in order to establish a chain of operation and efficiency via specialization
-

2. Cash inflows

- Stringent credit reporting policy for all customers before entering into a creditor-debtor relationship with them
 - Periodic reconciliation of bank statements to the general ledger in addition to annual reporting for more efficient financial control
 - Establishing a periodic review policy with all existing customers that the business establishes a [creditor-debtor](#) relationship with. It ensures the ongoing creditworthiness of customers and eliminates the probability of bad debts
 - Support files and backups for all financial data in a separate secured database with access only permitted to senior management staff
-

3. Cash outflows

- Automatic/subscription payments to be monitored and requiring proper authorization in order to control extravagant business expenditure
 - Maintaining a vendor database with detailed purchase records with restricted access in order to monitor cash outflow efficiently
 - Periodic reconciliation of bank statements to the general ledger
 - Clear and precise expense reimbursement policy to be maintained, including detailed expense reports and receipt verifications in order to curb extravagant business expenses and employee fraud
-

**Thank you
for attention**
