



## **Executive Rules of Internal Control**

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## **INTRODUCTION**

The Organization of Islamic Cooperation and all its subsidiary organs have witnessed an expansion in the various administrative, social, political and economic fields. This expansion has brought about extension and diversity of the Organization's activities and practices, as well as an increase in expenditure. This in turn has created new challenges concerning the preservation of the organization's funds and assets and ensuring their proper utilization such as to achieve and the aspired and planned goals, hence the importance of the part played by control in implementing and following up the control of the Organization's funds and assets.

Aware of the importance of applying the concept of comprehensive control, keeping abreast of the new trends in the field, making good use of its positive aspects in providing preventing self-control of public and private funds and rationalizing their utilization, which is becoming increasingly needed in view of the adoption of planning approach for development;

In view of the increasing volume of expenditure and its impact on socioeconomic life, which has necessitated self-control and preventive protection of assets allocated to the Organization in order to rationalize their use and help enhance the performance of its various subsidiary organs;

In view of the need for standard rules regulating the exercise of internal control'

The following Rules have been jointly prepared by the Chairman of the 26<sup>th</sup> Session of the Finance Control Organ (FCO) and the Director General of Administrative and Financial Affair at the OIC General Secretariat, taking into account the existing research and studies on internal control and the latest developments in the field.

The Rules are made up of nineteen articles divided into seven chapters as follows:

- I. Definition of internal control
- II. The Internal Controller and his organizational relationship
- III. Occupational position of the Internal Controller
- IV. Responsibilities and objectives of the Internal Controller
- V. Functions and competences of the Internal Controller
- VI. The Internal Controller and the Finance Control Organ
- VII. Abidance by control professional standards and ethics

## **Chapter I: Definition of internal control**

### **Article 1:**

Internal control is an integrated set of methods and practices adopted by an organization, including its supreme authority, in order to accomplish the following objectives:

- i. Protection of assets by curbing errors and detecting them as soon as they happen, while ensuring the accuracy and completeness of accounting books.
- ii. Efficient and effective financial operations through efficient and appropriate utilization of resources.
- iii. Abidance by the applicable rules, regulations, directions and policies in order to meet the aspired objectives in an efficient and organized manner.

Based on this definition and on the aspired objectives, the following functions of internal control may be extracted:

1. Realize the requirements of self-control for all areas of financial exercise.
2. Ensure preventive protection for public and private assets.
3. Optimal utilization of the available resources in the required economic fields.
4. Apply the rules, regulations and directions regulating financial exercise.
5. Develop approaches and practices of financial work by introducing modern information technology methods.
6. Develop approaches of error search and early detection and seek to correct them and adopt measures to prevent their future recurrence.
7. Develop methods of enhancing the performance of financial work.

## **Chapter II: The Internal Controller and his organizational relation**

### **Article 2:**

The General Secretariat and each subsidiary organ of the OIC shall have an Internal Controller, who shall report to the Secretary-General/Director General of the institution and shall be assigned the works of internal control through performing the tasks entrusted to him as per the present rules.

## **Chapter III: The occupational position of the Internal Controller**

### **Article 3:**

The Internal Controller shall be assigned an occupational grade in accordance with the administrative structure of the Organization. He must have the specialization and expertise that allow him to discharge his duties and attain his objectives. A decision to appoint him shall be issued by the Secretary General of the Organization or his delegate.

### **Article 4:**

In addition to the general recruitment conditions for the post of Internal Controller, the latter must be recognized for his faithfulness and integrity and must be professionally competent in terms of the academic qualifications and work experience. The academic qualification should preferably not be inferior to university degree in accounting or finance, in addition to the appropriate work experience in the field. Recruitment and promotion of the Internal Controller shall be by decision of the Secretary General of the Organization or his delegate. He can be transferred, seconded or dismissed only by decision of the Secretary General of the Organization or his delegate, provided that the financial control organ is informed thereon.

## **Chapter IV: Responsibilities and objectives of the Internal Controller**

### **Article 5:**

The Internal Controller shall oversee the works of internal control and its executive methods. He shall be responsible for the good progress of work as well as for the effective execution of the required tasks in such a way that achieves the following objectives of the Organization:

- a. Protecting assets and property and ensuring absence of fraud and errors.
- b. Accuracy and exhaustiveness of financial data, abidance by the rules and compatibility of accounting books.
- c. Ensuring efficient and appropriate utilization of available resources and increase of productivity.
- d. Abidance by the binding regulations, instructions, policies and plans of the Organization in order to meet its objectives effectively and regularly in line with the regulations and instructions.

## **Article 6:**

The Internal Controller shall draw up an annual plan for internal control to be adopted by the Secretary-General or Secretaries General / Director General of the institution. The plan shall include his vision, general and detailed objectives, the time and place of control as well as any other details deemed relevant to the plan.

## **Article 7:**

The Internal Controller may amend his annual internal control plan as and when he deems it necessary subject to the prior approval of the Secretary General or Secretaries General / Director General of the institution.

## **Article 8:**

The Internal Controller may make direct contact with the officials responsible for the various departments and sections of the Organization, may have access to all books, registers and documents, as well as any other instruments necessary for the exercise of internal control, and may request the necessary data and clarifications in this regard. All personnel of the Organization must cooperate fully with him and provide him with all such facilitations as to enable him to discharge his duties.

## **Article 9:**

Without prejudice to the applicable training systems, the Internal Controller should participate in preparing a training plan for the personnel and determine the venue and duration of their training for adoption by the Secretary-General/Director General of the institution, while observing that the training meets the needs of the Organization in terms of financial and control affairs.

## **Chapter V: Duties and competences of the Internal Controller**

## **Article 10:**

Without prejudice to the other statutory forms of control, the Internal Controller shall be charged to reactivate the applicable internal control regulations and shall ensure their accuracy and the correctness of the adopted approaches, as well as their compatibility with the effective directions to protect the assets and enhance its performance. The Internal Controller shall particularly carry out the following:

- a) Implement the internal control regulations, ensure their accuracy and appropriate application, anticipate errors and propose the necessary ways and means for development such as to guarantee the protection of the Organization's assets and property against misappropriation, loss, abuse, etc.
- b) Ensure abidance by the rules, regulations, directions as well as financial and administrative measures in force at the Organization.

- c) Ensure that the Organization achieves its set objectives.
- d) Determine the abuses of the Organization's financial and human resources and make proposals such that enable the Organization to address and avoid them in the future.
- e) Verify statutory disbursement and receipt vouchers concerning financial operations with the participation of the Department of Financial Affairs in order to verify their accuracy, validity and exhaustiveness.
- f) Verify accounting books used to ensure the validity and accuracy of restrictions as well as their compatibility with the accounting approach.
- g) Verify the work of the financial funds, examine their registers and documents, and participate in the statutory inventory works in order to ensure that the inventory exercise is carried out in conformity with the allocable rules and measures.
- h) Verify the work of warehouses in compliance with the statutory rules, control their registers and documents, as well as participate in inventory works in order to that the inventory exercise and stocking methods are carried out in compliance with the applicable rules and measures.
- i) Participate in preparing closing account statements and financial reports prepared by the Financial Affairs Department in order to ensure their accuracy and compatibility with the applicable regulations, rules, directions and policies of the Organization.
- j) Participate in preparing the Organization's draft budget estimate.
- k) Perform the duties assigned to him by the Secretaries General / Director General of the institution(s) in the areas of his competence as per the present rules.

### **Article 11:**

The Internal Controller must notify the relevant departments directly of the results of the verification and control works as soon as they are finished and must reach with them a way of ensuring the accurate and statutory implementation of the financial operations.

### **Article 12:**

In the event that a department has a different view from that of the Internal Controller and that each one of the parties insists on their position, the matter shall be referred to the Secretaries General / Director General of the institution(s) for direction. In case the latter does not agree with the views of the Internal Controller, he must inform the Finance Control Organ, provided that this does not affect the discharging of the required duty.

### **Article 13:**

The Internal Controller shall submit at least a quarterly report to the highest official of the Organization illustrating the works of internal control carried out during the period covered by the report as well as the results reached and the measures adopted by the departments concerned. The Internal Controller must also participate in the study of – and reply to – the observations of the Finance Control Organ.

### **Article 14:**

The Internal Controller shall submit an annual report to the Secretaries General / Director General of the institution(s) 30 days before the end of the financial year. The report shall include the following;

- a. Statement of the internal control exercises.
- b. The key results of the internal control exercise, the obtained data and clarifications required by the various departments and sections, and the degree of abidance by the applicable rules and directions.
- c. Views on the development of the Organization's internal systems.
- d. Any important information, data, or clarifications which the Internal Controller deems relevant to the report.

## **Chapter VI:** **The Internal Controller and the Finance Control Organ**

### **Article 15:**

The Internal Control should, in coordination with the department concerned at the Organization, regularly deal and cooperate with the Finance Control Organ in order to enable the latter to be acquainted with all reports and data necessary for its work, and should follow up the implementation of its observations by the departments concerned.

## **Chapter VII:**

### **Abidance by control's professional standards and ethics**

#### **Article 16:**

The Internal Controller shall enjoy autonomy in discharging his functions in accordance with the present rules and the OIC Financial Regulations.

#### **Article 17:**

The Internal Controller must abide by the ethical conduct of the profession while mastering communication and cooperation with others at all occupational levels, in addition to integrity and impartiality. He must avoid the clash of interest and disclosing any information that may affect or weaken the objectivity of his performance and must avoid controlling or verifying works in which he feels loss of his autonomy while discharging the required task.

#### **Article 18:**

The Internal Controller must not utilize and protect the information he obtains while discharging his duty. He must not utilize his information for any personal purpose or outside the requirements of work within or outside the Organization.

#### **Article 19:**

The Internal Controller must have sufficient knowledge of the regulations, rules, directions and circulars relevant to his work.

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