

# Informational technology approach to auditing control: flaws and strengths

[Finance](#)



Auditing.

Strengths in the financial controls.

The system is sufficient to ensure proper recording and processing of data to allow preparation of financial statements.

The financial process established ensures accountability and completeness since roles are clearly identifiable.

These controls make it easier to prevent or detect erroneous transactions.

The organizations financial controls promote the ability to reach the key objectives that pertains to operational efficiency.

Weaknesses.

Computer based information systems increases the risk of fraud, wrongful modification of data and inappropriate disclosure (Grobstein, & Craig, 1984). Crafty programmers can interfere with running programs in a manner that is harmful to the organization.

The fact that internal auditors never test transaction processes on unannounced basis puts the entity in a vulnerable state. Manipulation by programmers is not unlikely under such circumstances.

. The system is exposed to the risk of misuse or damage of computer resources. This can be due to intentional or unintentional sabotage or virus attack. There is also the potential risk of unauthorized access to sensitive information.

In view of the above information, it is highly probable that the strengths and

especially weaknesses will impact on the reliability of the assertion by the management. The general controls seem to be effective but it is advisable to test the effectiveness of some of the application controls.

2. Control risk is defined as the risk that a misstatement in the organization's records will not be avoided, identified and corrected in time by the organization's internal control system. Some of the areas that control risk is assessed to be low include;

Payment to vendors

This is a very sensitive area of transaction because it involves making payments. It's nature has necessitated the management to be more thorough in drawing procedures that ensure that directives are followed. The control activities include approvals, verifications and segregation of roles. These have served to reduce the probability of material misstatement.

Sales processing.

Generally this is the first in a long purchase process and due to the simplicity and nature of the transactions at this stage, both inherent risk and control risk is low. In this area employees are less likely to take advantage of the weakness and that reduces the control risk.

In purchases and accounts payables the procedures are observed as effective to ensure

That the objectives that safeguard against loss of assets and also compliance to regulations are achieved.

Reference:

Grobstein, M and P. W. Craig (1984), A Risk Analysis Approach to Auditing, Auditing. A Journal of Practice and Theory, spring, Vol. 3, No. 2, 1-16.

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