

# Finance and accounting

[Finance](#)



Finance and accounting In finance and accounting, internal controls can be defined as the process that results from the structure of an organization, work flows, individuals and management systems that are designed in helping the organization to accomplish certain objectives (Giove 42).

According to the COSO framework, internal controls are normally based on five main components, which include the control environment, information and communication, monitoring, control activities and risk assessment.

According to most business firms, the definition employed by COSO relates to the aggregate control system of an organization. This paper will discuss the advantages and disadvantages of the forms of documentation presented by auditors.

In most organizations, the auditors obtain information regarding the internal control of an organization and summarize the information in a form of documentation. In most instances, they use questionnaires, flowcharts, written narratives in order to present their findings. For example, an internal control questionnaire contains questions regarding the organization. In this form of documentation, negative responses signify weakness while positive answers signify the strengths of the organization. Questionnaires are normally easy to use. Furthermore, they cover a wide a topic of discussion. Contrarily, questionnaires are not flexible, and they may also require assistance while filling the answers (Giove 44). This proves that questionnaires are somewhat time-consuming and ineffective.

A written narrative can also be used in the description of the main transaction cycles in an organization. Written narratives have also proved to have both merits and demerits. For instance, a written narrative substantially enhances the understanding of the personnel of the

organization. However, this method is time-consuming and presents a difficulty of clear clarification of the content (Giove 45).

Lastly, flowcharts can be described as diagrammatic representations of documents and procedures in a sequential manner. Most flowcharts convey clear information regarding the system of the organization in a sequential manner. The main advantage of flowcharts over the other forms of documentation is that they are easier to understand. The disadvantage related to flow charts is the lack of prominent identification of weaknesses (Giove 45).

#### Work Cited

Giove, Frank. Auditing essentials. United States: Research and Education Association Publishers, 1992. Print.