



Internal Audit Unit

Monthly Articles

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Risk Evaluation



Definition

Risk is an event that could occur and have a negative impact on the achievement of the organization's objectives, goals, and strategies.

Risk assessment through audit procedures is the basis for preparing an audit plan or audit program that helps implement the audit process, as well as reduce the risk of overlooking significant issues and appropriately allocate audit resources to areas requiring greater attention.

Purpose of Risk Assessment



1. Identify and assess the impact of risks that may threaten the audit objectives.

2. Develop potential audits and audit plans. In general, the main purpose of risk assessment is to identify high-risk issues for audit attention in order to maximize the value of internal audit work on the operations as well as minimize audit risk.

Basis of Risk Assessment



The auditor must independently determine the risks that are subject to the audit based on the data and information collected during the audit investigation phase.

Risk assessment focuses on the likelihood of occurrence and the impact on the audit process. Therefore, those risks must be clearly identified and their impact must be assessed during the risk assessment.





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The Purpose of Risk Assessment is to:

Auditor should consider the following three (3) components of risk related to the audit subject matter as follows:

1. Existing risk
2. Risk Control
3. Risk sought / pursued

The results of these three types of risk indicate audit risk. The formula for assessing audit risk is as follows:

Audit risk = Existing risk X Risk control X Risk sought / pursued.



Each risk is assessed based on its significance and frequency of occurrence in the current situation, using a scale developed by the audit team. For example: high, medium, or low.

Quality of Risk Assessment

Three (3) methods that can help improve the quality of risk assessments:

Discussion with management: The auditor should discuss the audit objectives, expectations, and audit plan with management.

Analysis: Can help the auditor identify irregular or inactive transactions and assist in assessing risks as a basis for responding to the identified risks.

Observation: Observation procedures can provide the auditor with information to understand and evaluate the auditee's environment.

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References:

- 1- Guidelines on Compliance Audit of the Internal Audit Unit of FSA
- 2- Internal Audit Manual of the Ministry of Economy and Finance
- 3-3. Audit Manual of the Auditing Commission.....

