

Audit Risk Assessment Report

Client Name: ABC Corporation

Audit Period: January 1, 2023 – December 31, 2023

Date of Report: January 15, 2024

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1. Executive Summary

An audit risk assessment was performed to identify and evaluate risks of material misstatement in the financial statements of ABC Corporation, covering the fiscal year 2023. This report summarizes key risk areas and the planned audit approach to address them.

2. Identified Risks and Assessment

Risk Area	Risk Description	Likelihood	Impact	Response
Revenue Recognition	Complex customer contracts may lead to improper revenue timing.	High	Significant	Substantive testing of contracts and journal entries.
Inventory Valuation	Obsolete inventory risk due to slow-moving stock.	Medium	Moderate	Test valuation methods and review write-downs.
Management Override	Potential for manual journal entries bypassing controls.	Medium	Significant	Review of journal entries and authorization procedures.
Related Party Transactions	Unrecorded or undisclosed transactions between related parties.	Low	Moderate	Analytical procedures and disclosure reviews.
IT System Changes	Recent migration to new finance software.	Medium	Moderate	IT controls and data migration validation.

3. Audit Approach

The audit team will maintain professional skepticism and focus on areas with higher assessed risk. The approach includes analytical review, substantive testing, walkthroughs of controls, and direct confirmation with third parties where appropriate.

4. Conclusion

The risk assessment forms the basis for audit planning. The identified risks will be continually reassessed throughout the engagement. Any changes in risk profile will be communicated promptly.

Important Notes:

- This document outlines risks at a point in time and may be updated as new information becomes

available.

- Audit risk assessment is not absolute assurance against fraud or misstatement.
- Findings and responses should be reviewed collaboratively by the audit team and management.
- Sensitive/confidential information must be handled in compliance with data protection requirements.