

Quantitative Risk Matrix for Audit Risk Analysis

1. Objective

This document provides a quantitative evaluation of audit risks using a risk matrix approach to prioritize identified risks.

2. Risk Matrix Criteria

Likelihood Scale	Description	Score
Rare	May occur only in exceptional circumstances	1
Unlikely	Could occur at some time	2
Possible	Might occur at some time	3
Likely	Will probably occur in most circumstances	4
Almost Certain	Expected to occur in most circumstances	5

Impact Scale	Description	Score
Insignificant	No significant impact on objectives	1
Minor	Minor impact, easily managed	2
Moderate	Some impact, requires attention	3
Major	Significant impact, needs active management	4
Severe	Critical impact, threatens objectives	5

Risk Rating = Likelihood Score x Impact Score

3. Risk Matrix Table

Risk Description	Likelihood (1-5)	Impact (1-5)	Risk Rating	Current Controls	Recommended Actions
Unauthorized access to financial records	3	5	15	User access controls, monitoring	Improve user access reviews
Incorrect revenue recognition	2	4	8	Quarterly financial reviews	Enhance review procedures
Non-compliance with regulatory standards	4	4	16	Compliance officer oversight	Conduct compliance trainings
Fraudulent expense claims	3	3	9	Expense policy, random audits	Increase frequency of audits
Delayed financial reporting	2	3	6	Project tracking by finance team	Introduce deadline reminders

Important Notes

- The risk matrix should be reviewed regularly and updated as needed.
- Scoring should be supported by evidence and professional judgment.
- Low-rated risks should still be monitored to prevent escalation.
- This matrix is a tool to aid decision-making, not a substitute for management responsibility.
- Document all assumptions and sources used in risk evaluation.