

Sampling and Testing Methods Document for Risk Audit

1. Purpose

This document outlines the methodology for sample selection and the testing procedures to be applied during the risk audit of [Project/Process Name]. It ensures consistent and objective assessment of potential risks and internal controls.

2. Scope

The sampling and testing methods detailed herein apply to all areas identified as material to the risk audit, including but not limited to financial transactions, process controls, and compliance assessments.

3. Sampling Approach

3.1 Sampling Frame

The population for sampling comprises all transactions or records within the audit period, extracted from reliable and complete sources.

3.2 Sample Size Determination

- Based on risk assessment and materiality thresholds.
- Consideration of population size, expected error rate, and desired confidence level.

3.3 Sampling Techniques

- Random Sampling
- Stratified Sampling
- Judgmental Sampling (where justified)

4. Testing Methods

| Test Area | Objective | Method | Documentation |
|-----------------------|--|--|--|
| Transaction Accuracy | Verify correctness of recorded data | Re-performance; Vouching to source documents | Sample testing sheets, supporting invoices |
| Compliance Testing | Assess adherence to internal policies | Checklist review; Interviews | Completed checklists, signed confirmations |
| Control Effectiveness | Evaluate operating effectiveness of key controls | Observation, Walkthroughs | Control test forms, observation logs |

5. Documentation and Reporting

All sampling rationale, selection results, and test findings will be documented clearly, including any exceptions noted and recommendations for corrective action.

6. Review and Approval

This methodology will be reviewed annually and approved by the Audit Manager to ensure it remains fit for purpose and aligns with current audit standards.

Important Notes:

- This document should be tailored to the specific risks and nature of the audited entity.
- Deviations from the defined methods must be justified and documented.
- Sampling does not guarantee the detection of all risks or errors; results should be interpreted cautiously.
- Regular review of these procedures is necessary to reflect best practices and regulatory changes.