Internal Audit Risk Assessment Documentation

Methodology

This document details the methodology applied in conducting the internal audit risk assessment. The purpose is to systematically identify, evaluate, and prioritize risks that may impact the organization, thereby guiding the development of the audit plan.

1. Information Gathering

- Review organizational objectives, structure, policies, and prior audit findings.
- Conduct interviews with key personnel and stakeholders.
- Analyze relevant external factors such as regulatory requirements and industry trends.

2. Risk Identification

- List significant processes, assets, functions, and systems.
- Identify events or conditions that can threaten the achievement of objectives.
- Document potential internal and external risks.

3. Risk Evaluation and Scoring

- Assess the likelihood and potential impact of each risk.
- Assign risk ratings using predefined scales (e.g., High, Medium, Low).
- Utilize risk matrices to visualize and prioritize risks.

4. Control Assessment

- Identify and evaluate existing controls mitigating each risk.
- Assess the effectiveness of controls through review and testing.
- Determine residual risk after considering controls.

5. Risk Prioritization

- Rank risks based on severity and likelihood scores.
- Focus audit attention on high and medium-priority risks.
- Update the audit universe and annual audit plan accordingly.

6. Documentation and Reporting

- Document methodology, criteria, assumptions, and findings in the risk assessment file.
- Prepare and present a summary report for management and the audit committee.

Important Notes:

- Risk assessments should be updated regularly to reflect changes in the organization and its environment.
- Documentation provides the rationale for audit focus and supports transparency of the internal audit process.
- This document may be reviewed by external stakeholders, so clarity and completeness are essential.
- Assumptions and limitations should be expressly stated to contextualize conclusions.