

# Internal Audit Risk Assessment

## Risk Rating and Scoring Format

### 1. Risk Assessment Matrix

Risk Area	Impact		Likelihood		Risk Score (Impact x Likelihood)	Risk Rating	Comments
	Rating (1-5)	Description	Rating (1-5)	Description			
Financial Reporting	4	Significant misstatement potential	3	Plausible occurrence	12	High	Key account balances need review
Compliance	5	Severe legal/regulatory consequence	2	Unlikely, but possible in 2-3 yrs	10	Medium	Periodic changes in regulations
Operational Efficiency	3	Minor disruption	4	Likely within the year	12	High	Process bottlenecks identified
IT Security	5	Highly sensitive data exposure	1	Rare occurrence	5	Low	Current controls considered robust

### 2. Risk Rating Scale

Score	Risk Rating	Description
1-5	Low	Low probability and/or insignificant impact
6-10	Medium	Plausible event and/or moderate effect on objectives
11-15	High	Likely event and/or major disruption possible
16-25	Critical	Almost certain, severe impact on organization

### Important Notes

- This risk assessment format provides a structured approach for evaluating risks during internal audits.
- Scoring relies on consistent and objective judgment by the audit team for impact and likelihood.
- Regular updates are essential to reflect changes in the organization’s risk environment.
- The methodology should be aligned with organizational policies and risk appetite.