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| **Client: XYZ** | | **Prepared by: Mr. Y** | **Date: DD-MM-YYYY** | **Ref: C6.3** |
| **Year end: 31-12-2014** | **File No:** | **Reviewed by: Mr. X** | **Date: DD-MM-YYYY** |

**SPECIFIC RISK ACTION PLAN**

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| ***Specific risk affecting client*** | ***H, M or L*** | ***Management response*** | ***Financial reporting areas and assertions affected*** | ***Audit approach*** | ***Outcome*** |
| Revenue is susceptible to material misstatements due to fraudulent financial reporting. | H | Management has designed the relevant controls and implemented the same effectively. (see the controls in C5.1) | Revenue (Completeness, Occurrence, Accuracy) | 1. Inquire of the management as to the incentive schemes the company has for top-management personnel; 2. Inquire of the management as to communications to employees regarding management’s views on business practices and ethical behavior; 3. Inquire of the management as to the control procedures they have to prevent any fraudulent financial reporting relating to revenue; 4. Inquire of the management as to the IT components in the internal control system over revenue recognition and measurement; 5. Inquire of the internal auditors as to the fraud-related activities identified by internal audit; 6. Inquire of those charged with governance as to the programs and controls to prevent, detect and deter fraud – oversight by those charged with governance; 7. Perform test of controls in accordance with planning (see C5.1); 8. Perform substantive procedures relating to revenue using disaggregated financial and non-financial information (see C6.2); 9. Use information and risk management team to test the design and implementation, and operating effectiveness of those IT components identified. | 1. Controls are effectively designed and implemented. 2. No material misstatement is found. |
| Property, plant and equipment is susceptible to material misstatements due to misappropriation of assets. | M | Management has designed the relevant controls and implemented the same effectively. (see the controls in C5.1) | Property, plant and equipment (Completeness, Existence, Valuation, Ownership) | 1. Inquire of the management as to what physical controls they have to prevent misappropriation of assets; 2. Inquire of the management as to the company’s asset disposal and write-off policy; 3. Perform analytical procedures in relation to disposal transactions using disaggregated data; 4. Performing analytical procedures for depreciation; 5. Perform test of control for addition of assets in accordance with planning (see C5.1); 6. Perform substantive analytical procedures relating to property, plant and equipment using disaggregated financial and non-financial information (see C6.2); 7. Use information and risk management team to test the design and implementation, and operating effectiveness of those IT components identified. 8. Physical examination of assets; 9. Verify for accuracy the asset disposal and write-off transactions to supporting documents to identify the rationality behind the disposal or write-off. | 1. Controls are effectively designed and implemented. 2. No material misstatement is found. |
| Stock and WIP is susceptible to material misstatements due to misappropriation of assets. | M | Management has designed the relevant controls and implemented the same effectively. (see the controls in C5.1) | Stock and WIP (Completeness, Existence, Valuation, Ownership) | 1. Inquire of the management as to what physical controls they have to prevent misappropriation of inventory; 2. Inquire of the management as to the company’s inventory procurement and storage policy; 3. Inquire of the management as to the company’s inventory disposal and write-off policy; 4. Perform test of control for addition of inventory in accordance with planning (see C5.1); 5. Use information and risk management team to test the design and implementation, and operating effectiveness of those IT components identified. 6. Physical count of stocks; 7. Verify for accuracy of the inventory disposal and write-off transactions to supporting documents to identify the rationality behind the disposal or write-off. | 1. Controls are effectively designed and implemented. 2. No material misstatement is found. |
| Provisions and contingencies are susceptible to material misstatements due to fraudulent financial reporting. | M | Management has designed the relevant controls and implemented the same effectively. (see the controls in C5.1) | Provisions and contingencies (Completeness, Accuracy, Valuation) | 1. Inquire of the management as to how the process of recording a provision is initiated; 2. Inquire of the management as to the basis of identifying the events that requires provision and the events that are to be treated as contingencies. 3. Inquire of the management as to the process of determining and recording provisions in the books; 4. Inquire of the management as to whether there were any unrecorded liabilities; 5. Perform test of control for addition of provisions in accordance with planning (see C5.1); 6. Verify for accuracy and reasonableness of the provisions recorded in the books in light of the available information and judgments used by management. | 1. Controls are effectively designed and implemented. 2. No material misstatement is found. |
| Related party transactions are susceptible to material misstatements due to fraudulent financial reporting. | M | Management has designed the relevant controls and implemented the same effectively. (see the controls in C5.1) | Related party transactions (Completeness, Existence, Accuracy, Presentation) | 1. Inquire of the management about the nature of the transactions and basis of allocation; 2. Inquire of the management as to frequency and modality of the transactions and whether there is any special arrangement (i.e. discount, interest etc.) 3. Inquire of the management to assess whether the transactions with related parties of the nature of arm’s length transactions. If so, inquire of the management as to the pricing mechanism; 4. Verify for occurrence of the transactions and accuracy of the amount booked for the transactions held between related parties. Also, check the disclosure given in the financial statements relating to related party transactions. | 1. Controls are effectively designed and implemented. 2. No material misstatement is found. |

1. A risk should only be categorised as high if it is as significant as to require special audit consideration. (ISA 315.108)

2. A general risk that relates to all financial areas and assertions such as the possible sale of the business should show ‘All’ in the financial areas and assertions column

**Disclaimer:** Dummy audit working files have been prepared and published to improve the quality of audit documentation of member firms providing audit services in Bangladesh. Member firms providing audit services should not assume these dummy working files as absolute benchmark for the purpose of preparing and keeping audit documentation. Every audit client has unique characteristics and risks. International Standards on Auditing (ISA) also requires to exercise engagement partner’s judgment on a number of areas in conducting the audit of an entity. Therefore, member firms should use their professional knowledge, skill, experiences along with these dummy working files to keep adequate and appropriate working papers for each audit engagement. The preparers do not assume any liability for drawing an inappropriate audit opinion based on the working papers prepared on the basis of these dummy working files.