|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Client:**XYZ Limited |  | **Prepared by:**Mr. Y | **Date:**DD-MM-YYYY | Ref: C6.4 |
| **Year end:**31-12-2014 | **File no:** | **Reviewed by:**Mr. X | **Date:**DD-MM-YYYY |

**DETAILED RISK ASSESSMENT**

| ***General risk area*** | | | | ***Specific risk affecting client*** | | | ***Risk H, M or L or N/A*** | | | ***How will the audit risk be managed?*** | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***1. General*** | | | |  | | |  | | |  | | |
| 1.1 | | Do we have any concerns as to the integrity of the directors / management? | No | | | N/A | | | N/A | | |
| 1.2 | | Are there any untrained or inexperienced staff in key accounting roles? | No | | | N/A | | | N/A | | |
| 1.3 | | Does the entity have a weak control environment? | No | | | N/A | | | N/A | | |
| 1.4 | | Is the appropriateness of the going concern basis an issue? | No | | | N/A | | | N/A | | |
| 1.5 | | Would you describe the relationship with the client as either ‘abrasive’ or ‘deteriorating’? | No | | | N/A | | | N/A | | |
| 1.6 | | Is there any significant external interest in the company’s financial statements? | No | | | N/A | | | N/A | | |
| 1.7 | | Are there any other risk factors that may affect the client at the financial statement level? | No | | | N/A | | | N/A | | |
| ***2. Industry Conditions*** | | | |  | | |  | | |  | | |
| 2.1 | | Is there a risk of technological obsolescence of products or services? | No | | | N/A | | | N/A | | |
| 2.2 | | Is the company in a highly competitive or volatile sector of the economy? | No | | | N/A | | | N/A | | |
| 2.3 | | Is the company's business affected by fashion, demographic trends or public opinion? | No | | | N/A | | | N/A | | |
| 2.4 | | Is the company affected by cyclical or seasonal factors? | Yes | | | L | | | Analytical procedure will be performed [C7] | | |
| ***3. Regulatory Environment*** | | | |  | | |  | | |  | | |
| 3.1 | | Is the client authorised by an external regulator? | | | Yes | | | M | | | Compliance checklist will be prepared | | |
| 3.2 | | Does the regulator require any special reports? | | | No | | | N/A | | | N/A | | |
| 3.3 | | Are year-end returns or a copy of the accounts required to be filed with a trade association or regulator? | | | Yes | | | L | | | N/A | | |
| 3.4 | | Does the client rely on membership of an association or similar body for a substantial part of its business? | | | No | | | N/A | | | N/A | | |
| 3.5 | | Does the client operate in a business sector where there is likely to be additional regulations? | | | No | | | N/A | | | N/A | | |
| 3.6 | | Are there any issues concerning eligibility for government grants or other aid programmes? | | | No | | | N/A | | | N/A | | |
| ***4. Other External Factors*** | | | |  | | |  | | |  | | |
| 4.1 | | Will the accounts be sent to a third party? | | | Yes | | | L | | | N/A | | |
| 4.2 | | Are there any individually material third-party creditors? | | | No | | | N/A | | | N/A | | |
| 4.3 | | Is there any expectation that the business (or part of it) may be sold in the near future? | | | No | | | N/A | | | N/A | | |
| 4.4 | | Are there any external factors (e.g. a potential listing or bank financing) which could influence expected results? | | | No | | | N/A | | | N/A | | |
| ***5. Business Operations*** | | | |  | | |  | | |  | | |
| 5.1 | | Is the company reliant on only a few customers or suppliers? | | | No | | | N/A | | | N/A | | |
| 5.2 | | Is the company heavily reliant on particular products or services? | | | No | | | N/A | | | N/A | | |
| 5.3 | | Are there any significant related parties to the business? | | | Yes | | | M | | | Standard audit procedure for related party will be performed | | |
| 5.4 | | Are there a large number of business locations and/or a wide geographical spread of its activities? | | | Yes | | | L | | | Standard audit procedure for segment reporting will be performed | | |
| 5.5 | | Are there any complex situations which might require the use of the work of an expert? | | | No | | | N/A | | | N/A | | |
| 5.6 | | Is the company involved in electronic commerce including internet sales? | | | No | | | N/A | | | N/A | | |
| 5.7 | | Does the company carry out any research or development activities? | | | No | | | N/A | | | N/A | | |
| ***6. Investments*** | | | |  | | |  | | |  | | |
| 6.1 | | Were there any acquisitions, mergers or disposals of business activities in the period or after the year-end? | | | No | | | N/A | | | N/A | | |
| 6.2 | | Does the company have any investments in securities or loans? | | | Yes | | | L | | | Standard audit procedure will be performed for the investment | | |
| 6.3 | | Does the company have any investments in non-consolidated entities, including partnerships, joint ventures and special-purpose entities? | | | Yes | | | L | | | Standard audit procedure will be performed | | |
| ***7. Financing*** | | | |  | | |  | | |  | | |
| 7.1 | | Does the company have a complex capital structure? | | | No | | | N/A | | | N/A | | |
| 7.2 | | Are there any issues arising from the company's debt structure, including covenants, restrictions, guarantees, or off-balance-sheet financing arrangements? | | | No | | | N/A | | | N/A | | |
| 7.3 | | Does the company use derivative financial instruments? | | | No | | | N/A | | | N/A | | |
| 7.4 | | Are there any risks of material misstatement at the assertion level related to the fair value measurements and disclosures in the financial statements? | | | No | | | N/A | | | N/A | | |
| ***8. Financial Reporting*** | | | |  | | |  | | |  | | |
| 8.1 | Have accounting standards and principles been complied with in the past years? | | | Yes | | | N/A | | | N/A | | |
| 8.2 | Are the accounting policies for significant matters appropriate to the circumstances of the entity? Consider:  �Valuation of fixed assets  �Income recognition  �Depreciation  �Long term contracts | | | Yes | | | M | | | Standard audit procedure will be performed | | |
| 8.3 | Could the treatment of any areas in the accounts be disputed by the tax authorities? | | | No | | | N/A | | | N/A | | |
| 8.4 | Are there usually a large number of related party transactions? | | | Yes | | | M | | | Standard audit procedure for related party will be performed | | |
| 8.5 | In terms of related party transactions:  (a) Is the company a member of a group that does not prepare group accounts? | | | No | | | N/A | | | N/A | | |
|  | (b) Are any payment made to the directors/shareholders other than remuneration or dividends? | | | No | | | N/A | | | N/A | | |
|  | (c) Were there balances due to or from the directors at any time during the year? | | | No | | | N/A | | | N/A | | |
| 8.6 | Is there any indication of risk of misstatement at the assertion level for classes of transactions, account balances or disclosures? | | | No | | | N/A | | | N/A | | |
| ***9. Objectives, Strategies and Related Business Risks*** | | | | | | |  | | |  | | |
| 9.1 | Have we reviewed a copy of the company's long term strategy or business plan? | | | Yes | | | L | | | N/A | | |
| 9.2 | Are there any risks arising from the company attempting to achieve the objectives set out in the plan? | | | No | | | N/A | | | N/A | | |
| 9.3 | Is there a risk of failure to meet stock market (or other shareholder) expectations (which management may have encouraged) whether or not the expectations were reasonable? | | | No | | | N/A | | | N/A | | |
| 9.4 | Are the directors’ and/ or managements’ incomes highly geared to results either directly, through share options, or through other possibilities for large capital gains? | | | No | | | N/A | | | N/A | | |
| 9.5 | Is there pressure to meet targets to ensure protection of the jobs of directors, management or other employees? | | | No | | | N/A | | | N/A | | |
| 9.6 | Is there a desire to understate profits to reduce tax liabilities? | | | No | | | N/A | | | N/A | | |
| 9.7 | Are there legal or regulatory requirements to meet specific financial thresholds or ratios? | | | No | | | N/A | | | N/A | | |
| 9.8 | Is there a need to ensure compliance with loan covenants or to pacify bankers? | | | No | | | N/A | | | N/A | | |
| 9.9 | Are future plans for selling the company dependent upon achieving specified results? | | | No | | | N/A | | | N/A | | |
| 9.10 | Are the amounts for provisions set by management at the time of finalizing the profit and loss account rather than being determined by others as part of the routine accounting system? | | | No | | | N/A | | | N/A | | |
| 9.11 | Is there a pattern whereby accounting judgements and estimates made when finalising the accounts are all biased in the direction management desires? | | | No | | | N/A | | | N/A | | |
| 9.12 | Are the final figures for the company subject to significant change as a result of journal adjustments generated at head office? | | | No | | | N/A | | | N/A | | |
| 9.13 | Were there any contracts or transactions undertaken, particularly where this was close to the year end, where the commercial rationale is unclear? | | | No | | | N/A | | | N/A | | |
| 9.14 | Do the accounting policies applied by the company fall comfortably within Accounting Standards or do they push the boundaries of acceptability in some areas? | | | No | | | N/A | | | N/A | | |
| 9.15 | Have the directors brought forward the reporting date without good reason making it difficult to obtain the quantity and quality of audit evidence required? | | | No | | | N/A | | | N/A | | |
| 9.16 | Are the results of the company out of step with industry trends with no discernable explanation available? | | | No | | | N/A | | | N/A | | |
| 9.17 | Is management keen to manipulate profits (e.g. to reduce tax or increase bonuses)? | | | No | | | N/A | | | N/A | | |
| ***10. Measurement and Review of the Entities Financial Performance*** | | | | | | |  | | |  | | |
| 10.1 | | Have accounting records been reliable in the past? | | | Yes | | | N/A | | | N/A | | |
| 10.2 | | Are meaningful management accounts prepared during the year? | | | Yes | | | L | | | Analytical review of management accounts | | |
| 10.3 | | Has the audit report contained a qualification in either of the last two years? | | | No | | | N/A | | | N/A | | |
| 10.4 | | Have there been problems with making adjustments in the past? | | | No | | | N/A | | | N/A | | |
| 10.5 | | Is the engagement ‘stable’ i.e. long standing? | | | No | | | N/A | | | N/A | | |
| ***11. Control environment*** | | | | | | |  | | |  | | |
| 11.1 | | Is the extent of management knowledge and experience sufficient for operating the business? | | | Yes | | | N/A | | | N/A | | |
| 11.2 | | Do management and administrative controls appear strong? | | | Yes | | | L | | | Control Test (C5.1) | | |
| 11.3 | | Are good management information systems in existence and used? | | | Yes | | | N/A | | | N/A | | |
| 11.4 | | Is management in a position to override any controls in existence? | | | No | | | N/A | | | N/A | | |
| 11.5 | | Do management promote an operating style where competence and integrity are valued? | | | Yes | | | N/A | | | N/A | | |
| ***12. The Entity's Risk Assessment Process*** | | | | | | |  | | |  | | |
| 12.1 | | Will the company's risk assessment process be use in identifying relevant risks and the actions taken in response to them? | | | Yes | | | M | | | Standard audit procedures | | |
| ***13. Information Systems*** | | | | | | |  | | |  | | |
| 13.1 | | Are the accounting records kept up to date? | | | Yes | | | L | | | Standard audit procedures | | |
| 13.2 | | Has there been any change to the accounting system? | | | No | | | N/A | | | N/A | | |
| 13.3 | | Are there any particular issues arising from the use of IT that give cause for concern? | | | No | | | N/A | | | N/A | | |
| ***14. Control Activities and Monitoring Controls*** | | | | | | |  | | |  | | |
| 14.1 | | Are there any indications that control activities such as performance reviews or segregation of duties have broken down or otherwise failed to operate? | | No | | | N/A | | | N/A | | |
| 14.2 | | Is there an effective system of monitoring controls in place? | | Yes | | | N/A | | | N/A | | |
| 14.3 | | Are there any indications that the monitoring controls have broken down or otherwise failed to operate? | | No | | | N/A | | | N/A | | |
| ***15. Fraud and Error*** | | | | | | |  | | |  | | |
| 15.1 | | Have there been any previous experiences or incidents which call into question the integrity or competence of management? | | No | | | N/A | | | N/A | | |
| 15.2 | | Are there any unusual financial or reporting pressures within the business? | | No | | | N/A | | | N/A | | |
| 15.3 | | Are there any significant weaknesses in the design or implementation of internal controls? | | No | | | N/A | | | N/A | | |
| 15.4 | | Is there a history of unusual and/or complex transactions? | | No | | | N/A | | | N/A | | |
| 15.5 | | Is there a history of problems in obtaining sufficient appropriate audit evidence? | | No | | | N/A | | | N/A | | |
| 15.6 | | Are there inadequate controls over data in the information system? | | No | | | N/A | | | N/A | | |
| 15.7 | | Is there a high degree of judgment involved in determining account balances? | | No | | | N/A | | | N/A | | |
| 15.8 | | Are there a large number of assets which may be susceptible to loss or misappropriation? | | No | | | N/A | | | N/A | | |
| 15.9 | | Do the results of analytical procedures undertaken to obtain an understanding of the entity and its environment show unusual or unexpected relationships that may indicate risks of material misstatement due to fraud? | | No | | | N/A | | | N/A | | |
| 15.10 | | Are there usually a large number of transactions not subjected to ordinary processing? | No | | | N/A | | | N/A | | |
| 15.11 | | Are the accounting staff well trained and capable of performing the tasks allocated to them? | Yes | | | N/A | | | N/A | | |
| 15.12 | | Are there any attitude or morale problems in the accounting department? | No | | | N/A | | | N/A | | |
| 15.13 | | Is there a high level of turnover of accounting staff? | No | | | N/A | | | N/A | | |
| 15.14 | | Does any other information obtained indicate any risk of material misstatement due to fraud? | No | | | N/A | | | N/A | | |
| 15.15 | | Is there a business rational for any transactions that appear out of the ordinary? | No | | | N/A | | | N/A | | |

***Conclusion***

|  |
| --- |
| The assessment of risk at the financial statement level is: Medium  Although most of the specific risks above are low, overall assessment of financial statement level risk is considered as medium as the entity is listed and has high public profile. |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | |
| Audit engagement partner | Date | | |
|  |  | | |

**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.