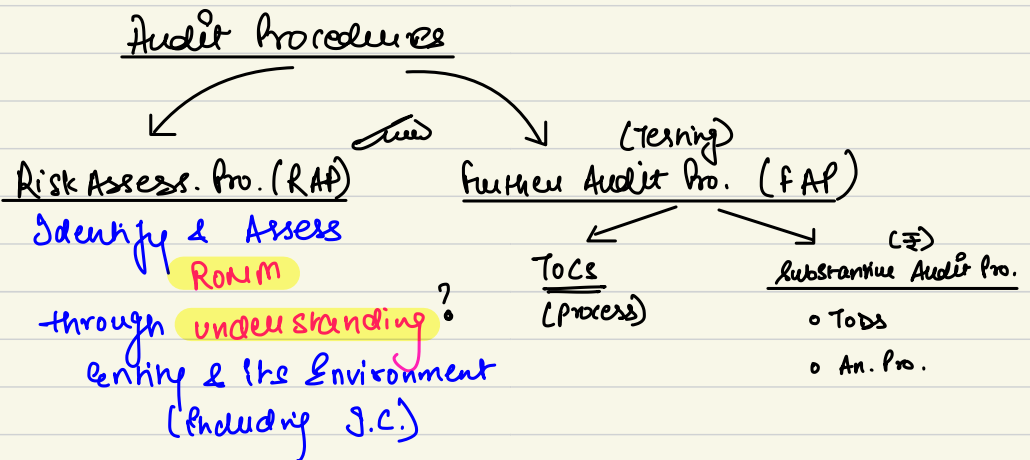


# Ch-4 Risk Assessment & Internal Control (RAIC)

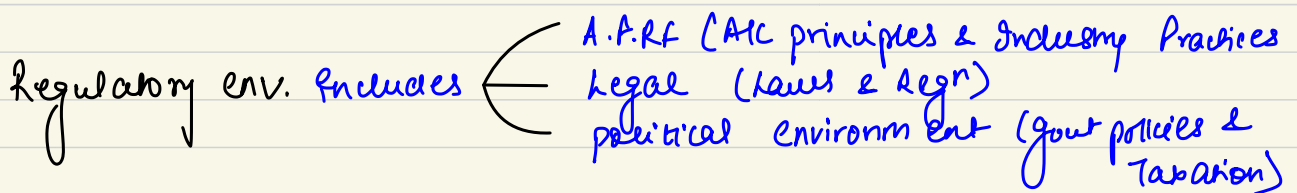
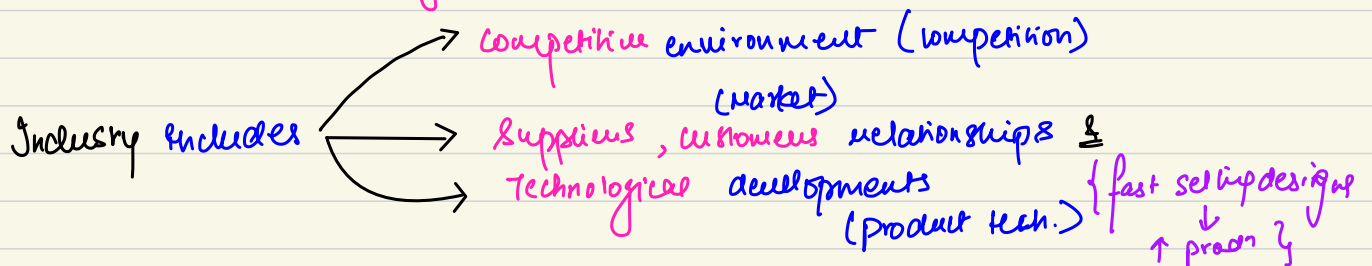
Pyara + Scoring

Revise:



As auditor, you shall take Understanding of following:

① Relevant Industry, Regulatory & other external factors. {SM → M.T.P Jan'25}



Other External factors ⇒ Econ. cond<sup>n</sup>

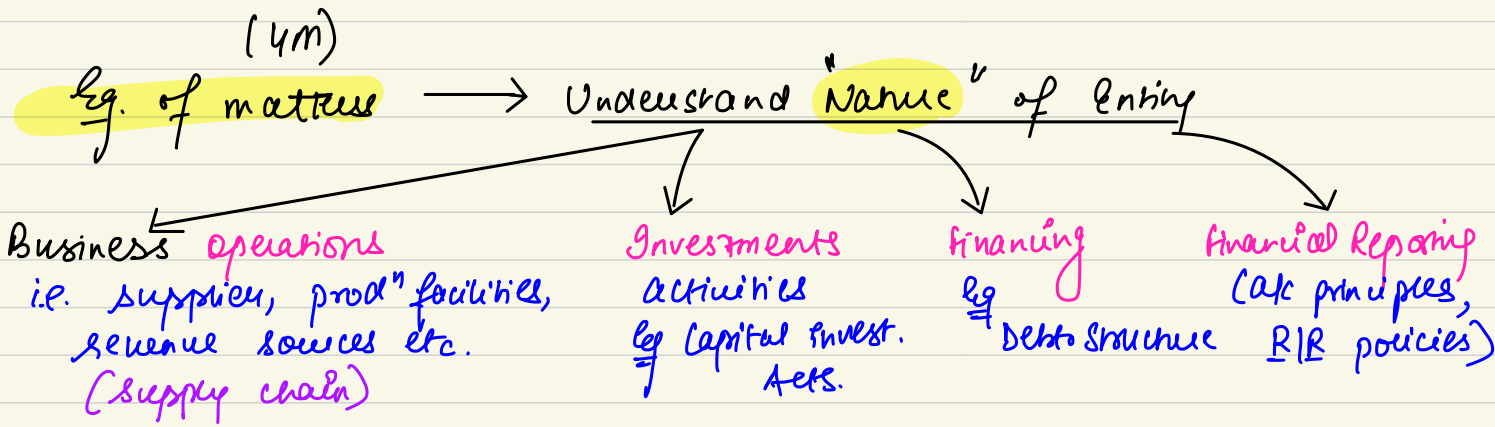
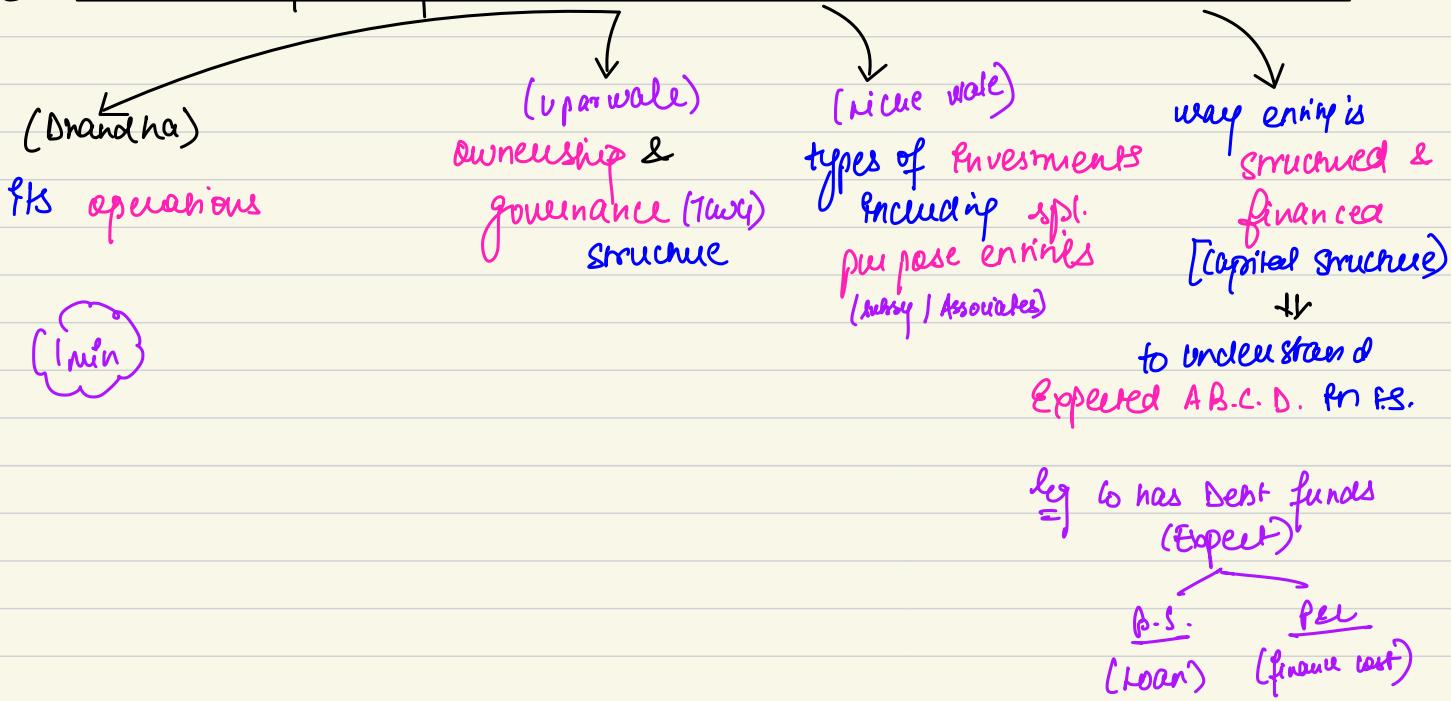
- Inflation Rates (working cap)
- finance availability ⇒ Intt rates.



Auditor

• clothing business ⇒ fast fashion

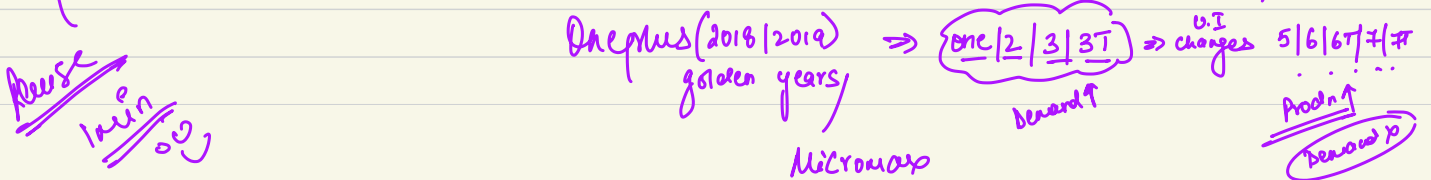
② Nature of Entity



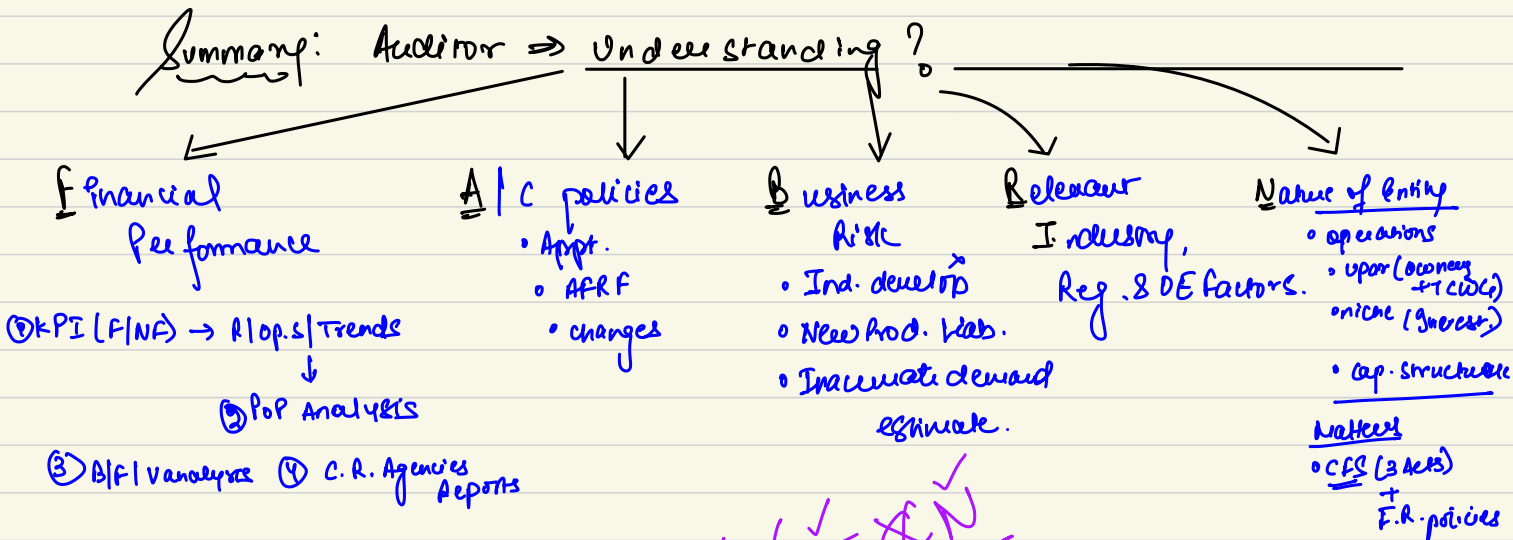
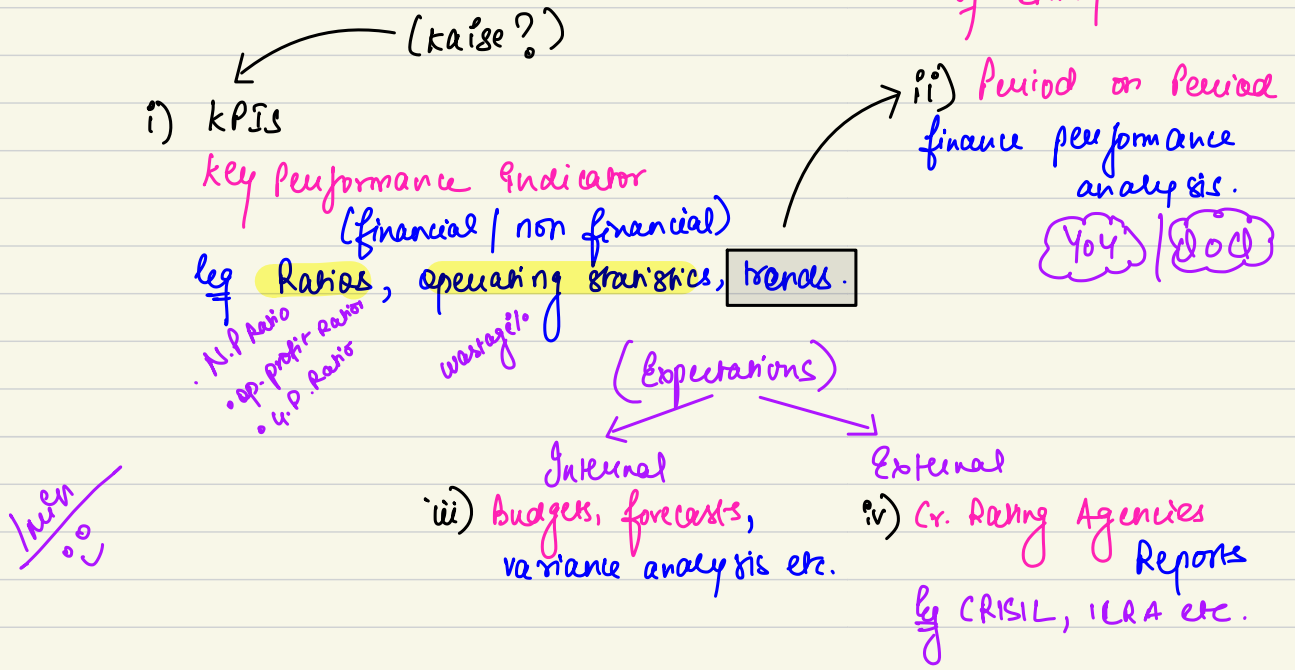
③ At Policies: Selection & application of Atc policies (appt. + ARAF) & reasons for change

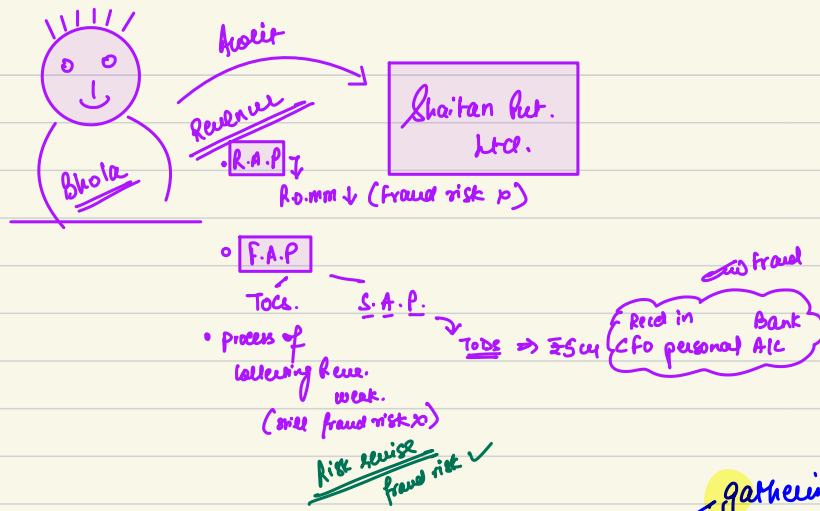
④ objectives, strategies & Business Risks.

- eg of matters:
- Industrial developments: Entity doesn't have previous experience to deal with industrial changes (Nokia)
  - New products / services: Increased product liability (phone → "Aag" → MI)
  - Expansion of business: Demand was inaccurately estimated.



5) Financial Performance: Measure & review financial performance of entity.





• Understanding Entity is **continuous process** of **gathering, updating, analysing** **Info.** throughout audit. high

• Auds establish **frame of reference** to **plan audit & exercise P.J.** (ref. point)

high • **Assessing R.o.m.m. in f.s.**

• **Deciding Materiality** as per SA 320.

• **Considering Appropriateness of A/c policies.** Contracts / Agreements / AS / 9th AS

• **Identify areas requiring Spl. audit consideration.** Sig. Risks → Complex Fraud

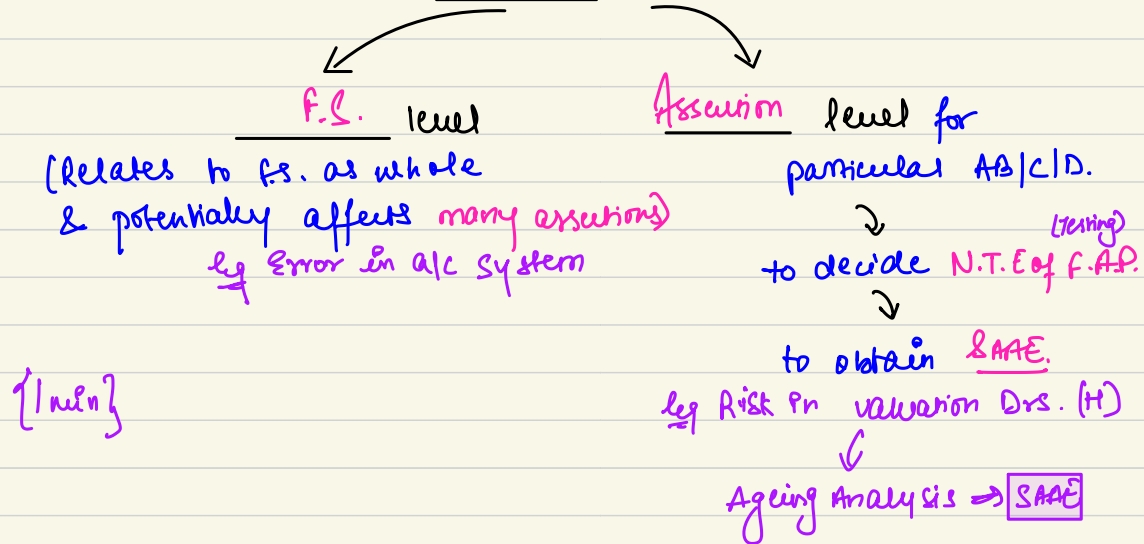
• **Developing expectations** when performing **Analytical Pro!** (wait)

• **Evaluating if SAAE obtained?** { } for appropriateness of assumptions.

Grat. Wab. → Retirement Age  
↓  
SAAE? H.R. policy

Imp. points □ Inverse relation b/w  $\begin{cases} \text{C.R} \\ \text{A.C. efficiency} \end{cases}$   
 $\Rightarrow$  ICS efficiency  $\Rightarrow$  C.R  $\downarrow$   $\neq$  ICS inefficient  $\Rightarrow$  C.R  $\uparrow$

◦ Romm is assessed at 2 levels



Combined Assessment of Romm (Kappu Sa)

(Meaning) SAs don't refer to IR & CR separately But rather prefer to Romm.

(Auditor  $\rightarrow$  choice) Auditor may make  $\begin{cases} \text{Separate} \\ \text{or} \\ \text{Combined assess. of R.O.M.M.} \end{cases}$

(How?) It may be in Quantitative Terms or non-Quantitative terms  
 (% age) (High/Medium/Low)

Concl<sup>n</sup>: Making appt. risk assessment is important.

f.w T.Y.V 0 | 1 | 2 | 3 | 4 | 8 | 9

(+) Post Exam/RTP 0 | 1 | 2 | 3 | 4 | 6 | 7 ew QOTD