

Learning Objectives

- Identify the purpose of internal controls.
- Recognize the internal control framework used by most companies based in the United States.
- Identify the interrelated components for an effective internal control system.
- Recognize the purpose of identifying audit risk.
- Recognize the difference between control deficiency, significant deficiency, and material weakness.
- Identify why materiality is important for an audit of financial statements.
- Make a preliminary judgment about what amounts to consider material.
- Identify the audit risk model and its components.
- Recognize the impact of engagement risk on acceptable audit risk.
- Recognize the relationship of risks to audit evidence.
- Identify the three types of fraud.
- Identify the SAS that provides guidance to auditors in assessing the risk of fraud
- Recognize the three elements identified by the AICPA to prevent, deter, and detect fraud.
- Recognize who is responsible for identifying and measuring fraud risks and taking steps to mitigate identified risks.
- Identify the procedures to address the risk of management overriding internal controls that are otherwise operating effectively.
- Recognize the characteristics of different types of fraud.

Topics Covered

- Audit Planning
- Audit Risk
- Audit Risk Model
- Planned Detection Risk
- Inherent Risk
- Control Risk
- Acceptable Audit Risk
- Risks in the Audit Risk Model
- Assessing Acceptable Audit Risk
- Engagement Risk
- Acceptable Audit Risk Factors
 - Step 1 - Client Acceptance
 - Step 2 - Understand the Client's Business and Industry
 - Step 3 - Assess Client Business Risk
 - Step 4 - Perform Preliminary Analytical Procedures
 - Step 5 - Set Materiality and Assess Acceptable Audit Risk
 - Step 6 - Internal Control and Assess Control Risk
 - Step 7 - Gather information to Assess Fraud Risks
 - Step 8 – Accept Client and Develop the Audit Plan