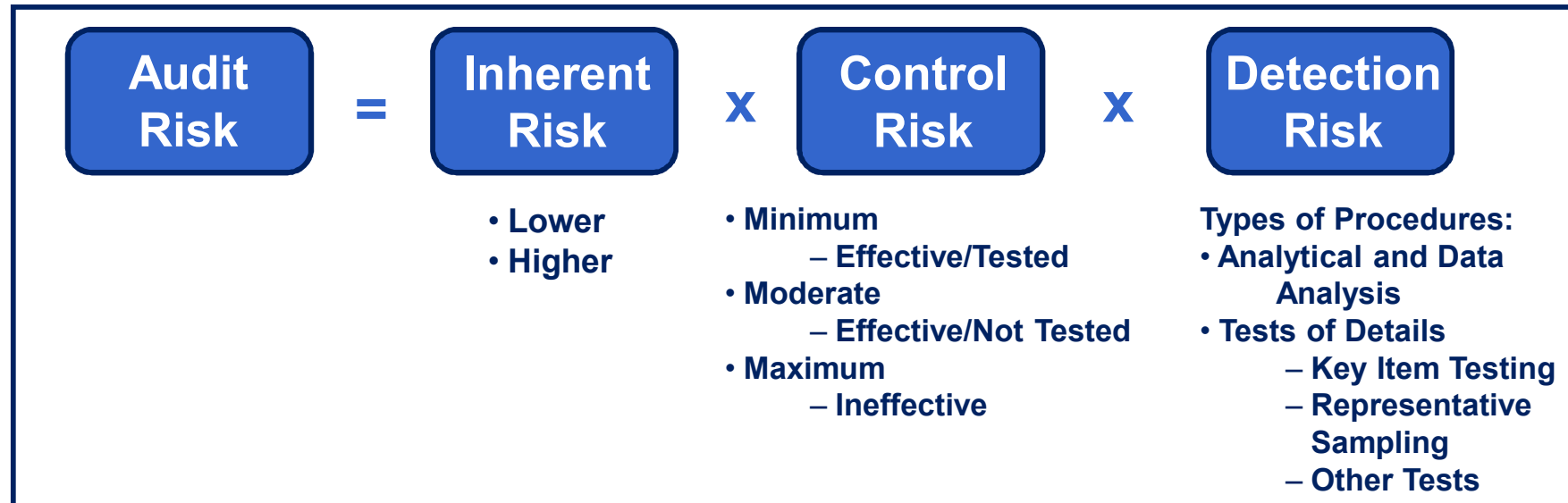


# Audit Risk Formula



**Combined Risk Assessment**

|                      |        | <b>Control Risk</b> |                            |                          |
|----------------------|--------|---------------------|----------------------------|--------------------------|
|                      |        | Minimum<br>(Test)   | Moderate<br>(Walk-Through) | Maximum<br>(Ineffective) |
| <b>Inherent Risk</b> | Lower  | Minimal             | Low                        | Moderate                 |
|                      | Higher | Low                 | Moderate                   | High                     |

# Audit Risk - Definizioni

Domanda: Che cos'è l'audit risk?

Risposta: L'Audit Risk (AR) includes the following three factors:

**Inherent Risk (IR)**

The susceptibility of an account balance (or group of accounts) to material misstatement, assuming that there are no related controls.

**Control Risk (CR)**

The risk that a material misstatement that could occur in an account balance (or group of accounts) will not be prevented or detected on a timely basis by the entity's internal controls.

**Detection Risk (DR)**

The risk that the auditor will not detect a material misstatement that exists in an account balance (or group of accounts).