



The four most common risk assessment violations

Identifying, assessing and responding to risks of material misstatement are at the core of every audit. However, an AICPA Peer Review Program study found that **more than one in 10 firms** are not properly assessing risk or linking their assessments to their audit procedures. These were the most common areas of non-compliance with the related standards:

Internal control

40% of identified issues related to failure to gain an understanding of internal control when identifying the client's risks.

Without understanding the nature of the client's controls, auditors can't identify related risks or design appropriate responses.

Insufficient risk assessment

14% of issues related to incomplete or nonexistent risk assessment.

If an auditor doesn't assess the client's risks, it could lead to inefficient over-auditing or, more seriously, a failure to obtain sufficient appropriate audit evidence to support the opinion.

No linkage

24% of issues related to auditors not linking their risk assessment to their response.

Auditors should consider if their standardized practice aids respond to identified risks and modify the aids where needed.

Improper control risk

13% of issues related to auditors assessing control risk as less than high without appropriate tests of controls.

Auditors can only reduce control risk below maximum when they have tested controls and are relying on their operating effectiveness.

Free tools to help

To learn more about AU-C 315 and 330 and access free resources to help you assess and respond to risk appropriately, visit our risk assessment toolkit at aicpa.org/riskassessment.

About the study: To identify the most common risk assessment violations, the AICPA analyzed more than 400 Peer Review Matters for Further Consideration forms that were issued in 2016. The information in this infographic reflects the results of that analysis.