

AUDIT RISK

The risk that the auditor will form an inappropriate opinion on the financial statements as a whole or in relation to a particular account balance or area

INHERENT RISK

The susceptibility of an account balance or class of transactions to material misstatement before taking into account the effectiveness of controls

CONTROL RISK

The risk that the client's internal controls will fail to prevent or detect material misstatements or omissions from the financial statements

DETECTION RISK

The risk that the auditors substantive testing work and review procedures will fail to detect any errors or omissions

ACCOUNTING SYSTEM

An accounting system comprises the procedures established to identify , assemble , classify , analyse and record transactions and the documents produced by the system

CONTROL ENVIRONMENT

The control environment encompasses the attitudes , awareness and actions of a business' directors , management and other personnel regarding internal controls and their importance in the entity

CONTROL PROCEDURES

These are part of the client's internal control . Such procedures will help to ensure the safeguarding of assets as well as the maintenance of proper accounting records and the reliability of financial information within the business

FACTORS CONTRIBUTING TO HIGH INHERENT RISK	
At overall financial statement level	At individual account balance level
1 Tight reporting deadline.	1 Items which are not part of the accounting records on a day to day basis (eg stock).
2 Non-audit assignment.	2 Items which are essentially judgmental (eg provisions).
3 Newly formed company.	3 Items which are complex in calculation.
4 New client.	4 Cash-based transactions.
5 Client in financial services sector.	5 Transactions with related parties.
6 Client in high technology industry.	
7 Existence of a large number of business locations.	
8 Poor quality management.	
9 Strained financial circumstances.	
10 Dominant influence by proprietor or a director.	
11 Impending change of ownership.	
12 Need for additional capital.	