**Exercise 2.2 Time required 20 Minutes**

**Read out the following paragraph relating to audit risks:-**

**The audit risk in an audit of financial statements is the risk that the auditor will express an inappropriate conclusion if the subject matter information is materially misstated.** The auditor will reduce the risk to an acceptably low level in the circumstances of the audit to obtain reasonable assurance as the basis for expressing a conclusion in a positive form. In general, the audit risk depends on the inherent risk and control risk, which constitute the risks of material misstatement and the detection risk:

a) **Inherent risk** – the susceptibility of the subject matter information to material misstatement, assuming that there are no related controls;

b) **Control risk** – the risk that a material misstatement could occur and will not be prevented or detected and corrected at the appropriate time by related controls. Some control risk will always exist due to the limitations inherent in the design and operation of internal controls.

c) **Detection risk** – the risk that the auditor will not detect a material misstatement.

he risk assessment is a matter of professional judgement and is not capable of precise measurement. The degree to which the auditor considers each element of risk will depend on the circumstances of each audit.

**You are required to work in groups and give possible examples of each type of risk factors related to Audit of Procurement**