

CITY 2017 Audit Programs

June 30, 2017

AUDIT STRATEGY
RISK ASSESSMENT**IV. RESPONSE TO RISKS**

The way the auditor responds to the risks identified during the risk assessment process depends on the nature and significance of the risks identified and on the City's programs and controls which address such risks. The auditor should take into account the various risk assessment procedures performed, including preliminary analytical procedures, brainstorming session, information obtained about the City and its environment, including internal controls, fraud risk considerations and any other sources providing information about relevant risks. For single audits, the auditor should consider the risk noncompliance may cause the financial statements to contain a material misstatement. Auditors respond to the results of the risk assessment in three ways: (1) an overall response as to how the audit is conducted, (2) specific responses involving modification of the nature, timing and extent of procedures to be performed and (3) responses to further address the fraud risk of management override of controls.

1. Overall response to financial statement risks – Describe overall risks at the financial statement level which may affect many assertions and the planned response to identified risks. Examples of overall risks include weaknesses in the control environment, changes in management, motivation by management to fraudulently misstate the financial statements, etc. Appropriate responses may include: (1) assignment of personnel and supervision, (2) scrutiny of management's selection and application of significant accounting principles and (3) including an element of unpredictability in audit procedures and tests.

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2. Specific responses to risks – If any risks are considered significant, the risk and the auditor's response to the risk should be included in the risk assessment summary form. For less significant risks, describe your specific responses, if any, to identified risks, including modification of the nature, timing and extent of audit procedures.

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