ORIGINAL ARTICLE

INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 05,2025

Journal: https://www.academicpublishers.org/journals/index.php/ijai

AUDIT RISKS AND THEIR ASSESSMENT IN THE MODERN ECONOMY

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Abstract: The article discusses the issues of determining and assessing audit risk, analyzes Russian and foreign experience in applying international auditing standards in terms of risk assessment and risk identification, taking into account the company's internal control system.

Keywords: audit, audit risk, non-detection risk, control risk, inherent risk, internal control system.

Introduction

Harmonization and unification of principles and rules for accounting and reporting in the modern economy at the supranational level presupposes, accordingly, the creation of unified fundamental approaches to auditing such reporting and confirming its reliability. The company's reporting, regardless of country and industry affiliation, compiled on the basis of international financial reporting standards, must be verified on the basis of international auditing standards. This approach to auditing reporting was valid in national audit practice only for consolidated reporting, but after the issuance of the order of the Ministry of Finance of the Russian Federation dated 2019 No. 2-n, international auditing standards were introduced to confirm the reliability of reporting compiled according to Russian standards [4].

Methodological basis of the study

This article used general scientific research methods, such as the method of system analysis, synthesis, the method of comparisons and analogies, as well as formal logical methods, the transition from the general to the particular.

Audit risks and their assessment in the modern economy

The most important element in planning a company audit is the definition and assessment of audit risk. Standardization in the field of definition and assessment of audit risk is very important, since a single approach to assessing audit risk excludes the possibility of its arbitrary interpretation. In this regard, the content of International Standard on Auditing 200 includes not only the general goals and responsibilities of an independent auditor, as well as the nature and scope of the audit, but also discloses the concept of risk. Since the purpose of the audit is to express an opinion on the reliability of the reporting of the audited company, then the expression of such an opinion is associated with a certain risk [6].

Audit risk is intended to assess the risk of occurrence of the fact when the auditor may express an erroneous opinion that the reporting of the audited company is reliable. The fact of expressing an erroneous opinion of the auditor on the reporting as a whole may arise as a result of determining the risk of material misstatement of the reporting and the risk of not detecting errors and misstatements in the reporting as a whole.

Audit risk is defined as (1):

- $Pa = P\text{н} * P\text{к} * P\text{н},$
- • Ra — audit risk;
- • Pн — inherent risk;
- • Pк — control risk;

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- • Рн — risk of not detecting an error.

Control risk is caused by the possibility of failure to detect significant errors in reporting by the company's internal control system. Detection risk is caused by the probability of failure to detect significant errors made by the company's internal control system by the auditor.

Let's consider an example of calculating a possible audit risk. According to the survey conducted at the preliminary stage, the auditor found out that the inherent risk in the audited company is quite high and equals 65%, the control risk is 30%.

Based on testing the current internal control system in the audited company, the auditor estimated the risk of not detecting an error at 10%.

Using the audit risk formula, we determine the audit risk as a whole for the audited company:

$$0,65 * 0,30 * 0,10 = 0,0195 * 100\% = 1,95\% \qquad (2)$$

Thus, the value of audit risk was less than 2% overall, which is quite acceptable and even low. The average empirically obtained assessment of acceptable audit risk is about 5%. International Auditing Standard 315 defines the auditor's responsibility in terms of assessing the risks of distortions in financial statements that may be material. The provisions of the standard contain recommendations for understanding the specifics of the audited organization's activities, including the organization's internal control [5].

Risks during the audit are presented as business risks and risks of insufficient internal control. Internal control procedures are carried out by the company's management to achieve the set goals of further development, reliability of financial statements and compliance with the requirements of legislative and regulatory documents.

The auditor assesses significant risks based on possible actions:

— inquiries to management and other persons,
— analytical procedures,
— observation,
— inspection.

The procedures included in the internal control system must be adopted and fixed by the order of the management of the audited entity. These include:

— conducting inventories of material and monetary resources,
— employee accountability,
— competent organization of financial liability,
— reconciliation of internal accounting and tax data with external data,
— reconciliation of synthetic and analytical accounting data,
— rational organization of storage of stocks and warehousing,
— compliance with settlement and payment discipline,
— ensuring the security and safety of financial information,
— compliance with the accounting and tax policies of the organization.

In the audit risk formula, the risk of material misstatement of information can be assessed both for the reporting as a whole and for the prerequisites for its formation, such as assessment, classification, etc. For example, the risk of material misstatement of the reporting may be caused by the following reasons: bankruptcy of the parent or subsidiary organization, as well as individual major shareholders; the nature of the activities of the audited entity, such as the possibility of technical obsolescence of its products and services, the complexity of the capital structure, the importance and number of affiliated persons; factors affecting the industry to which the audited entity belongs, such as competitive conditions in the industry, financial trends and average indicators for the industry, etc.

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Let's look at an example of calculating the risk of non-detection.
During the process of familiarizing yourself with the accounting organization and internal control procedures of the company during preliminary planning, the auditor assessed the inherent risk as very high at 90%, and the control risk as average at 60%. The audit risk as a whole was 6%, which exceeds the accepted level of audit risk (5%). The risk of non-detection in this situation should be determined.

P_H=0,06 /(0,9*0,6) = 0,111 or 11, 1% (3)

It turns out that the risk of non-detection or the expected ineffectiveness of audit procedures is over 11%, which is quite a high figure due to the presence of high inherent risk. The information base of audit risk in a company should include: current accounting and tax accounting systems, an internal control system, an electronic document management system, including the creation and storage of electronic documents, as well as a well-established system for submitting tax and accounting reports to the Federal Tax Service.

As for the main areas of identifying audit risk, the following areas of the company's activity should be included in them:

- financial and business activities of the company as a whole, while the auditor's special attention should be directed to checking the amount of innovations and investments, the consequences of the company's reorganization, existing tax benefits, changes in the tax burden in the current period, as well as the presence of uncovered losses;
- reflection of transactions in tax accounting, including an audit check of possible inaccuracies in the calculation of tax indicators, incorrect attribution of income and expenses to reporting periods, incorrect classification of fixed assets and intangible assets and the procedure for conducting and reflecting in the reporting the results of revaluation of non-current assets;

— formation of primary accounting documents, where the auditor must check for the presence of fictitious accounting documents, the absence of primary accounting documents or the presence of unreliable primary accounting documents;

— automation of accounting and reporting, where the auditor checks for the presence of data entry on fictitious facts, incomplete reflection of data in the automated system, as well as incorrect reflection of data;

— formation of accounting and tax accounting and reporting registers, where the main areas of verification are the identification of incomplete data, incorrect and faulty data, incorrect and incomplete completion of reports and explanations thereto;

— the procedure for paying taxes, including verification of facts of incomplete payment of taxes and the presence of tax arrears, verification of the terms of payment of taxes and insurance premiums to state extra-budgetary funds, as well as the correct execution of tax documents, including tax notifications.

Conclusion

As a result of the audit risk analysis, it appears that the most promising type in the development of audit is risk-based audit. An audit can be performed without duplicating arrays of accounting and tax accounting information, but selectively, based on the most problematic issues of checking accounting data and reporting, based on the information base of audit risk and the main directions of its identification.

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