LINKAGE: AUDIT OBJECTIVES, RISK, FINDINGS & EVIDENCE

AN AUDIT ASKS... → **FIRST FILTER TO FIND SIGNIFICANT ISSUES** → **THEN REFINE THE OBJECTIVE TO INCLUDE THE RISKS** → **IF THE RISK IS OCCURRING, IT WILL RESULT IN A FINDING** → **AND SUPPORT THE FINDING WITH EVIDENCE**

Does the subject matter meet this **criteria** (and have this quality)?

INHERENT RISK

what is the **scary possible result** of not meeting the **criteria?**

CONTROL RISK

Is the **scary possible result** occurring?
Or
Is subject matter not meeting the **criteria**?

CONDITION: scary result occurred
EFFECT: quantification of **scary result**

CRITERIA: what should be

RECOMMENDATION 1: resolves the condition

Evidence of fact: verifies if the **scary result** is occurring. Verifies the subject matter does not meet the **criteria**. Or verifies that the subject matter does not have the desired quality.

***Criteria** includes law, regulation, contract, grant agreement, standard, documented best practice, benchmark*

List of Scary Possible Results:
death
injury
shame
loss of money
missed goals
misstated reports

Qualities of subject matter are also called 'performance aspects' and could include eligibility, compliance, completeness, timeliness... just about any quality you can imagine as long is it is defined and backed up with criteria.

Is the auditee conscious of the **scary possible results** & have they acted to mitigate the scary possible results by applying **controls**?

CAUSE: controls did not work

RECOMMENDATION 2: resolves the cause

Evidence of controls: Verifies whether controls are working to prevent the scary risk.

The cause of a finding = an internal control weakness GAGAS 8.129

COLOR KEY

- **Criteria**
- ***Scary Possible Results (a.k.a. inherent risks)***
- **Controls**

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