Summarise the paper"the business risk audit a longitudinal case study of an audit...

Finance

Business Risk Audit and Business Risk Audit Literature Review An auditor must understand the natureof a business, the environment it operates in and management practices in order to identify management fraud and the level of its exposure to risk. If they demonstrate a good grasp of this then they will be able to increase their standing in the profession and increase their profitability. The paper focused on a case that covers the period between 1996 and 2000 (Curtis & Turley 2007, p. 440). The case study involves a client of an established accounting firm. The use of case studies is effective because it provides an opportunity to conduct an in-depth review of the issue and to examine the diligence employed in the collection of evidence. In contrast, the longitudinal approach revealed the practices that were embedded in the auditing process. The paper has focused on the impact of BRA on audit engagement.

In addition, administrators use methodologies that will increase the profitability of their firms. For example, audit methodologies can divert the attention of the staff from low-value added services by ensuring they focus on more value-added audit services during the process. Moreover, administrators have the power to determine the nature and scope of the audit process. Consequently, it is evident that they have a lot of influence over the outcome of the process. However, it is believed that they will not abuse this influence because they have to protect the legitimacy of their organizations and their profession.

Furthermore, it is difficult for the administrators to control the activities of seasoned practitioners from the center of the organization. The introduction of the BRA was informed by the need to shift the focus of the auditor from the financial statement risk to business risk. In addition, it focuses on transforming the nature of auditing from a high volume one to focusing on high level monitoring based on the application of strong analytical tools (Curtis & Turley 2007, p. 444).

The administrators are concerned with the implications that the audit methodology employed will have on the firm. In contrast, the auditors are influenced by their personal beliefs and experiences. The latter often consider the guidelines that are provided by the former as frameworks rather than something that must be followed strictly. The firm can be sued if its methodologies result in an unexaggerated view of the business. Consequently, the administrators have to ensure that they create effective methodologies that are consistent with the expectations of regulators.

The preparation for the case study involved an interaction with the official who was responsible for the introduction of the BRA. In this stage, relevant documents were analyzed in order to gain insight on the impact it had on the performance of the organization. The second meeting involved a discussion with a partner in the firm. The partner was responsible for overseeing the global implementation of the new methodology. The process involved a more comprehensive review of the guidelines that were given to the auditing staff. In addition, a discussion of the issues that the firm had to deal with during the implementation process was conducted.

Methodology

The longitudinal approach was adopted because it became evident that the implementation of the BRA had evolved significantly. Three factors were considered when selecting a client. The client had to be large enough and to have complex business processes that would make the use of the BRA viable. The second factor involved a limitation on the complexity of the business process. Since the time for data collection was limited, it was important to ensure that the business processes were not too complex that they would delay the implementation of the new methodology. The third factor involved the financial position of the organization. The selected organization needed to have a stable financial position. The feature would ensure that any changes to in the financial position were not due to the implementation of the new methodology.

The evidence collection process was conducted the office of the auditor. The whole process from the conceptualizing to the drawing of conclusions took five years. The long period provided an opportunity to achieve a comprehensive understanding of the impact of the risk business analysis model on audit outcomes.

The audit process involves the application of five modules. The first module involves an evaluation of the risk management process in an organization. There should be an analysis of their business environment. In addition, a preliminary analytical review should be conducted. The fourth module focuses on the consideration of business risks. The last module involves understanding information flows within the organization.