

City Auditor

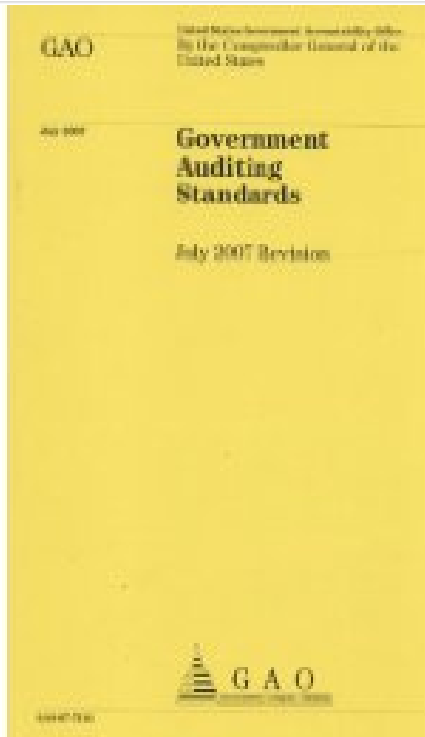
- . Report Protocol**
 - . Risk Assessment**
-

Presented by:

**Park E. Pearson, CPA
Interim City Auditor**

November 5, 2008

Report Protocol Purpose



- To provide an effective process for issuing audit reports
- To comply with generally accepted government auditing standards (GAGAS); also known as Yellow Book standards

Report Protocol Benefits

- Prevents surprises at the end of audit
- Provides an opportunity for all to be involved
- Effective process for issuing audit reports

Audit Process

Audit Plan

- . Audits are based on approved Annual Audit Plan

Planning Phase

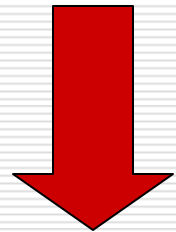
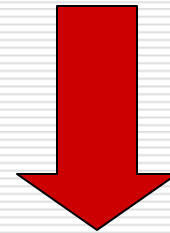
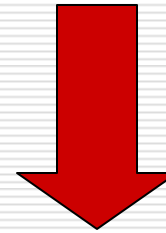
- . Engagement Letter
- . Risk Analysis
- . Entrance Conference
- . Audit Program

Fieldwork Phase

- . Perform Testwork
- . Draft Observations
- . Discuss Issues with Department when Identified

Reporting Phase

- . See details on following slides



Draft Audit Report Components

The City Auditor (CA) prepares a draft audit report that addresses:

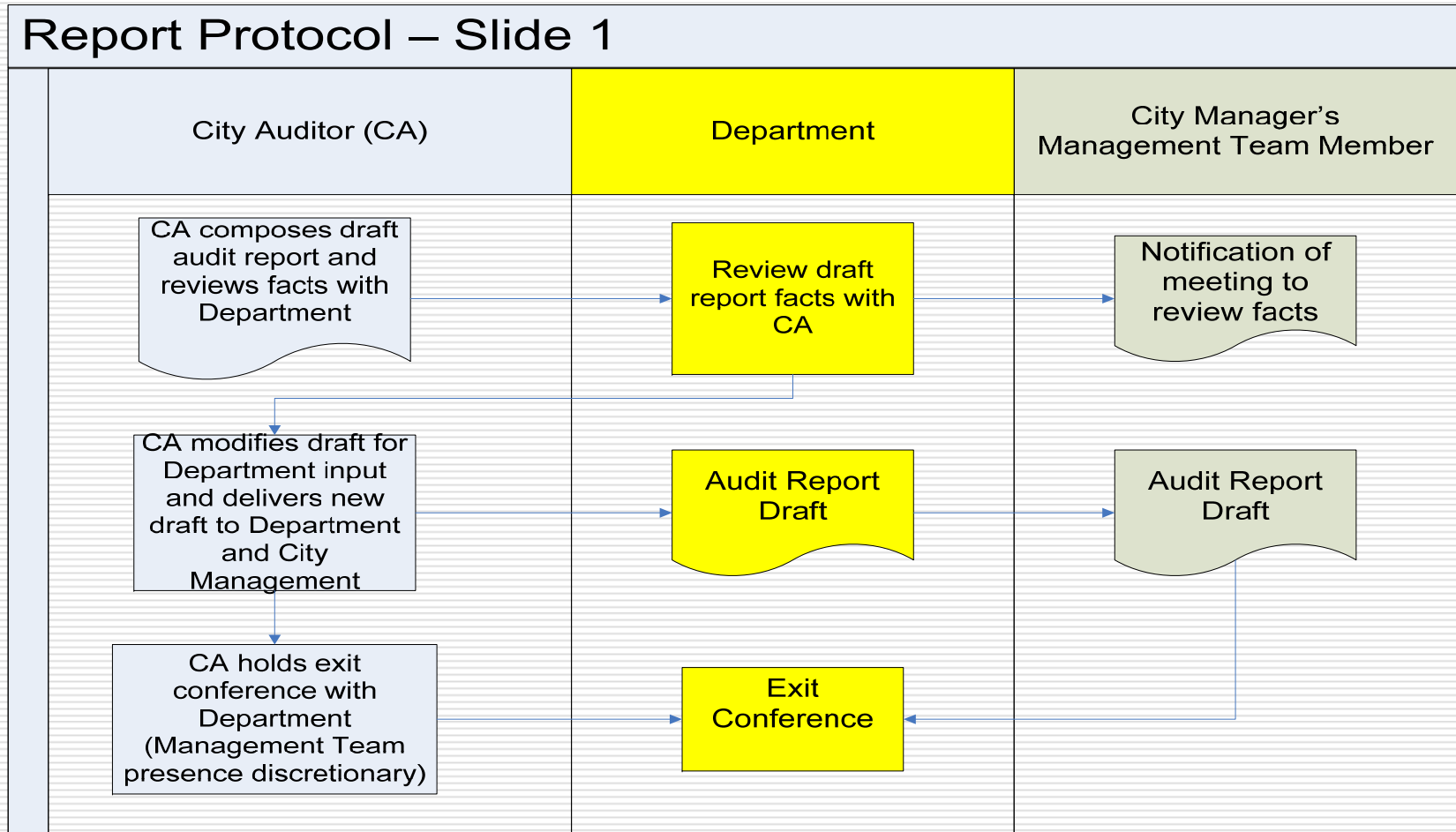
- Objectives, scope, methodology, findings, conclusions, and recommendations
- Significant constraints imposed on the audit such as a scope limitation
- Uncertainties with reliability/validity of data
more...

Other Report Components

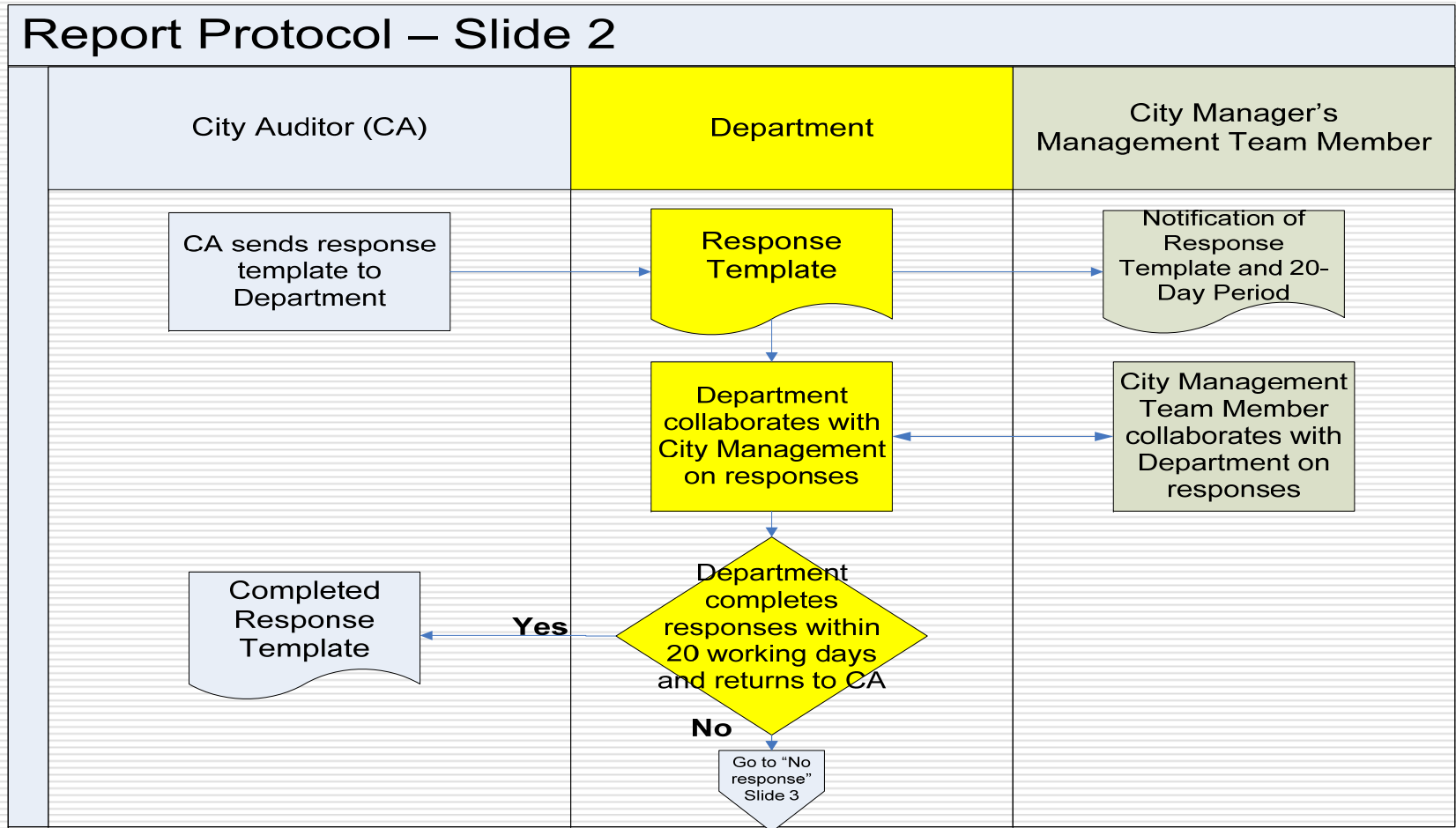
The draft audit report also addresses:

- Deficiencies in internal control
- Cases of fraud, illegal acts, violations of contracts or agreements, waste, and abuse
- Any information excluded due to its confidential and/or sensitive nature

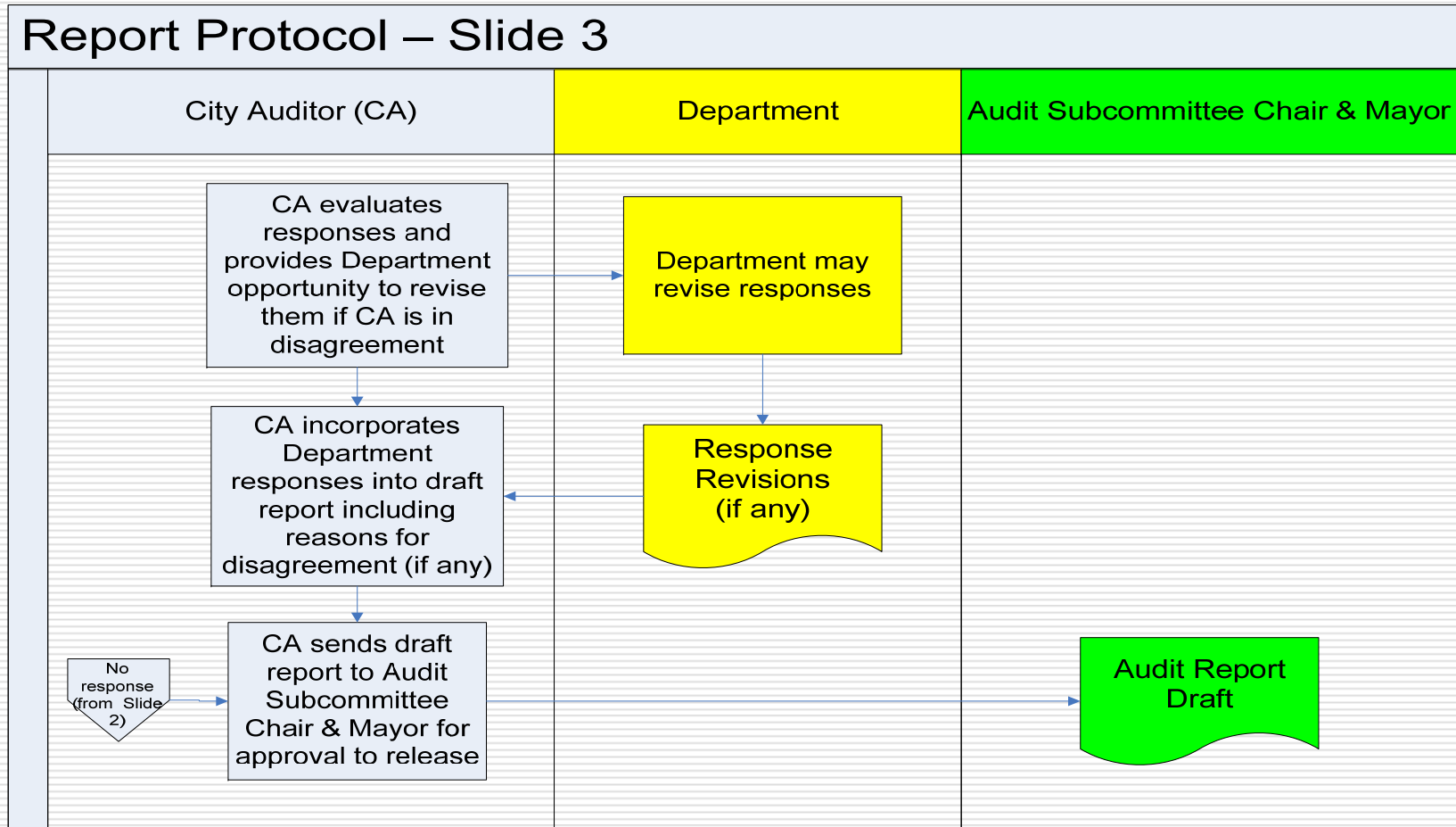
Reporting Phase ⁽¹⁾



Reporting Phase (2)

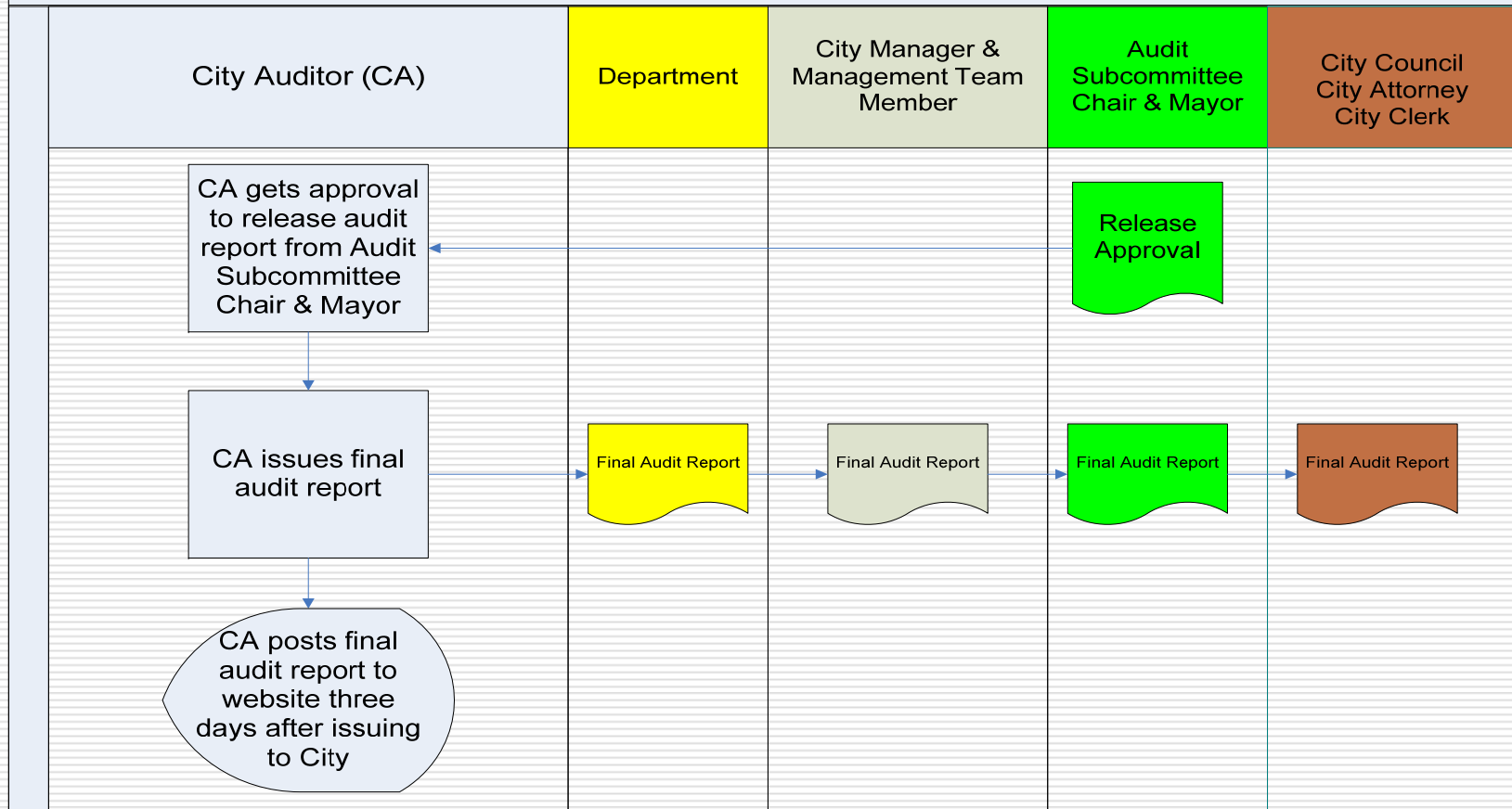


Reporting Phase ⁽³⁾



Reporting Phase (4)

Report Protocol – Slide 4



Risk Assessment

Purpose

- To identify, evaluate and prioritize risks which could significantly impact the City's ability to accomplish its objectives
- To evaluate and contribute to the improvement of risk management, control, and governance process using a systematic and disciplined approach
- To establish risk-based audit plans to determine priorities that are consistent with the organization's goals

Risk Assessment Surveys

- The Institute of Internal Auditor's Standards and Practice Advisories
 - "The internal audit activity's plan of engagements should be based on a risk assessment, undertaken at least annually. The input of senior management and the board should be considered in this process."
- The Risk Assessment Survey is used to identify and measure the significance and likelihood of risks that could occur within a department or activity

Risk Assessment Surveys

Definitions

- **Inherent risk** is the uncertainty or risk that is intrinsic to an operation based solely on the type of work performed, the amount of resources involved, or the complexity of the operations performed.
- **Vulnerability (Control Risk)** is the probability that a particular risk might actually occur and have a negative impact on the organization if controls are not in place or functioning effectively to mitigate inherent risks.

Risk Categories

- ✓ Regulatory/Industry Environment
- ✓ Business Interruption/Service Failure
- ✓ Compliance with Laws and Regulations
- ✓ Customer Satisfaction/Reputation
- ✓ Environmental Compliance
- ✓ Safety and Liability
- ✓ Managing Change
- ✓ Information Technology/Processing
- ✓ Ethical Culture/Environmental
- ✓ Measuring Performance
- ✓ Financial/Performance Reporting

Risk Survey Process

City Auditor's Office

1. Email Risk Surveys to Management (on November 6)
2. Rank order risk ratings for various departments
3. Attempt to classify additional risk areas and comments
4. Analyze results and consider in context of audit plan

COSA Management

1. Rate each risk category for responsible department(s)
2. List or comment on additional risks not identified in survey
3. Email surveys back to CA (by November 20)

City Auditor Presentation

Questions?