**Annual Audit Plan.**

An annual review of the financial records of an organization such as a business, a nonprofit group the audit may check the accuracy of records, compliance with accounting methods and the soundness of financial practice, including internal controls. The objective of the annual planning process is to establish and schedule audit activities. A critical component of the annual audit planning process is to ensure that qualified audit personnel are assigned to the highest priority assignments. The principles and procedures discussed in this document have been developed to provide a process for fulfilling these objectives.

**Introduction.**

Prior to the beginning of each fiscal year, the Director shall submit an annual audit plan to the Committee for review and comment. As part of these deliberations, the officials shall be invited to recommend areas for inclusion in the plan. The plan shall include the auditees scheduled for audit during the year, a statement of the scope of the audit and the estimated time required to complete the audit. The annual audit plan shall be transmitted to the Council for final approval as a resolution.

**An annual audit plan benefits the organization by.**

* Establishing what departments, contracts, or other areas will be prioritized for audits on an annual basis.
* Permitting an efficient allocation of limited resources.
* Providing a flexible basis for managing audit personnel.
* Audits are selected and prioritized using a risk-based approach. OIA utilizes several techniques to identify and prioritize audits in the annual plan. These techniques include:
  + Input from the Administration and the City Council;
  + Knowledge of operations and internal controls derived from previous audits;
  + Utilization of risk assessment criteria

Audits considered for the audit plan are compiled from suggestions by OIA staff, Administration staff, City Council members, as well as complaints and other sources of information. The suggestions are evaluated and rated using a risk assessment matrix. The number of audits selected for the plan is based on the impact the audit would have (the problem or risks it would address and the likely types of findings and recommendations to result); the sensitivity, complexity, and difficulty of the project compared to its likely impact; staff qualifications and other resources available; and the breadth and depth of audit coverage across City government.

Part of the annual plan is devoted to follow-ups. A follow-up audit assesses the progress made on issues identified in a previous audit, one or more years after its release. The remaining projects include:

* Contract Audits,
* Special Audits,
* Cash Counts.

Staff is assigned based on combinations of experience, qualifications, interests, and availability. During this process, we may identify projects that require additional expertise from consultants.

**Principles for Audit Plan Development.**

In order to provide practical guidance and an authoritative framework for the development of the annual audit plan, the following basic principles are recognized and observed:

* Audit resources are limited, thus prohibiting one hundred percent audit coverage each year. This limiting factor is inherent in the concept of utilizing risk assessment to help prioritize audits.
* The plan is viewed as a flexible and dynamic tool that can be amended throughout the year to reflect changing City risks and priorities.
* The audit plan gives consideration to work performed by other auditors.
* The audit plan gives consideration of those audits which may be mandated by ordinance.
* The risk assessment criteria used in the ranking of the audit suggestions places an emphasis on perceived or actual knowledge of systems of internal control.

The audit plan is developed with the understanding that there are inherent risks and limitations associated with any method or system of prioritizing audits. As a result, the risk factors and scoring process are periodically evaluated and modified, if necessary, in order to improve the audit plan

**The following risk factors are used to determine the audits included in the audit plan.**

* Perception of risk from the Administration, City Council, contractors, or audit staff;
* Economic factors such as financial impact, volume of transactions, number of personnel, revenue generated, the alignment of responsibility with authority and trends;
* Changes in organization, management, key personnel and information systems;
* Time since last audit;
* Environmental factors such as control, regulatory, and public perception.