Fiscal Year 2016 Annual Audit Plan Report

May Porter, CIA
Chief Audit Executive

October 12, 2016

Audit Plan

- Reason for Plan
  - **Professional Standards**
    - 2010 Planning: The CAE must establish a risk based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.
  - **Charter**
    - Annually, the Chief Audit Executive shall submit a one to five year audit schedule to the Council for review and comment.
  - **Resource Allocation**
    - Aid in achieving the most coverage with limited resources.

Louisville METRO

Audit Plan

- Risk-based plan
  - COSO Enterprise Risk Management Framework
    - Current risk model
    - Evaluation in systematic, consistent framework
    - Continuous risk assessment
- Timing
  - Annual plan
  - Fiscal Year
  - After budget approved by Council
  - Submission to Mayor / Council

Louisville METRO

Methodology

1. Identify Louisville Metro Audit Universe

- Variety of sources
  - Organizational charts
  - Financial system data
  - Institutional knowledge
  - Enterprise policies and procedures
  - Budgetary documents
  - Input from key stakeholders
  - Internal audit profession best practices

- There were a total of **1,206** auditable units identified.

Louisville METRO

Methodology

2. Stratify Audit Universe

- Functions/ Processes Covered by Other Auditors (e.g. external, state, federal)
  - Avoid Duplication
  - Annual Financial Audit
  - Annual Single Audits
- Capital Projects Combined by Department
- The OIA's audit universe consists of **529** audit units.

Louisville METRO

Methodology

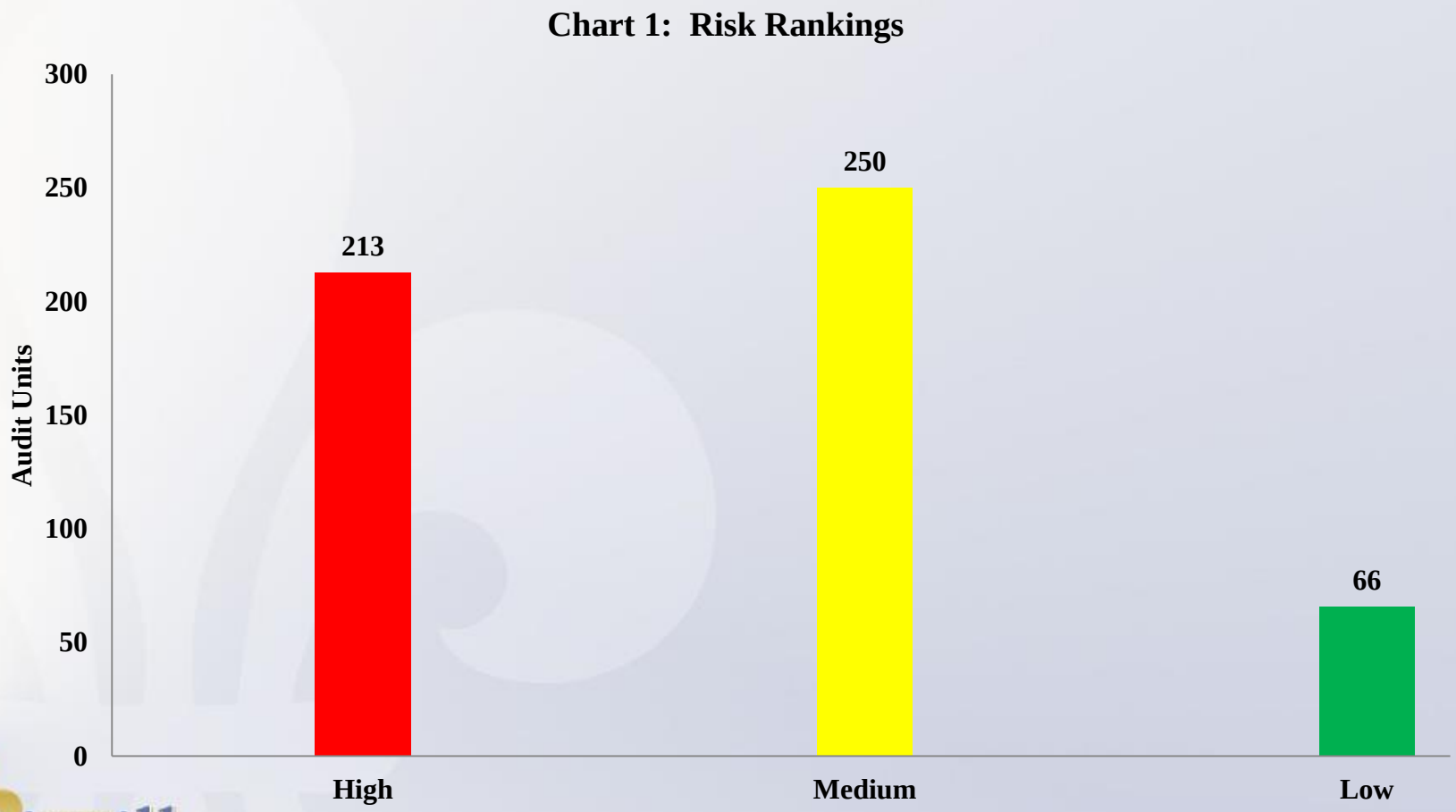
3. Risk Assessment of Internal Audit Universe

- 529 Audit Units
- 8 Risk Factors
  - Internal Environment
  - Historical Problems
  - Process Complexity
  - Control Activities
  - Information and Communication
  - Relevance to Strategic Objectives
  - Prior Audit Results
  - Tone at the Top

There were a total of **213** audit units ranked as high risk.

Louisville METRO

Methodology



Methodology

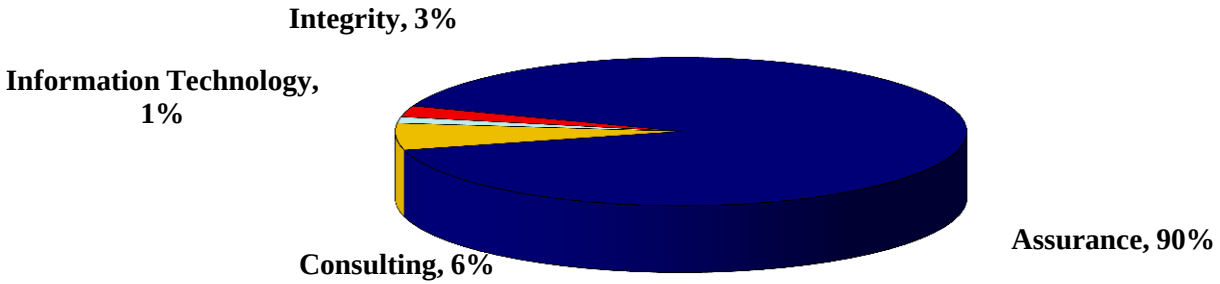
4. Identification of Major Risks

Governance	Operational	Human Resources
• Organizational Structure • Policies and Procedures • Compliance • Independent oversight • Ethical Culture and Environment	• Performance management and metrics • Quality of services • Complexity of Operations • Communication • Business interruption • Reputation	• Pay for time worked • Cost of benefits • Succession planning / loss of institutional knowledge • Change management and culture • Knowledge, skills and abilities
Finance and Accounting	**Information Technology**	**Assets**
• Revenue • Reliability of financial information • Paying suppliers timely and accurately • Procurement of goods and services	• Maximizing benefits of system functionalities • Security • Business interruption • Privacy of Customer Information • Social Networks	• Safeguarding • Accountability • Reputation • Fiduciary responsibilities • Management of facilities

Methodology

5. Internal Audit Resources

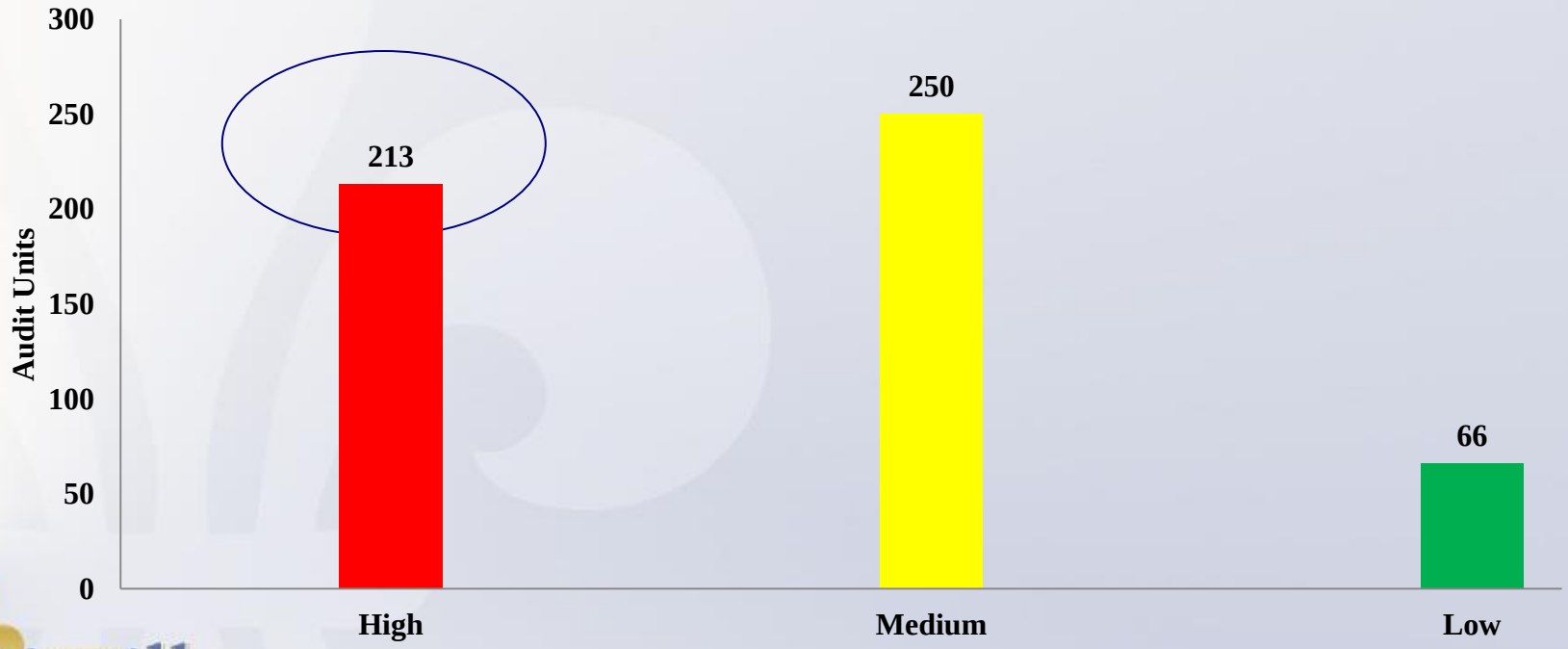
- Available Staff Hours
  - Capacity
  - Skill Sets



Methodology

6. Allocation of Internal Audit Resources

- Estimation of staff hours required for each project
- Focus on 213 high risk audit units
- 10.3 years audit cycle



Methodology

7. Audit Plan Completion

- Alignment with Metro Government's core objectives
- Mitigation of major risks
- Impact on service delivery efforts
- Coverage of all strategic objectives and Metro Government Executive Departments

Assurance Projects

Service	Number of Projects	Assurance Resources
Operational	9	28%
Revenue	4	16%
Compliance	6	24%
Expenditures	5	20%
Capital Projects	1	4%

Louisville METRO

Audit Plan Limitations

- Subject to change
- Subjective elements
- Projections and estimates
- Circumstances beyond control

Annual Audit Plan Report Questions

Office of Internal Audit

Monthly Activity Report

October 12, 2016

May Porter, CIA
Chief Audit Executive

Monthly Activity Report: Overview

- Distribution
  - Recipients
  - Frequency
- Content
  - I. Office of Internal Audit
  - II. Audit Plan Status
  - III. Audit Projects: In-process
  - IV. Audit Projects: Upcoming Projects
  - V. Audit Projects: Completed Projects
- Questions

Louisville METRO

Monthly Activity Report: Distribution

- Recipients
  - Metro Council
  - Mayor's Office
- Frequency
  - Monthly
  - Issued on the 5th of each month. The October Monthly Activity Report will be issued on or before November 5th.

Monthly Activity Report: Content

I. Office of Internal Audit

Mission Statement:

Provide independent, objective assurance and consulting activities that assist both policy makers and program managers in providing high-quality services in a manner that is accountable, efficient, effective, and ethical. Provide services that add value and improve Louisville Metro Government operations. Support the accomplishment of Louisville Metro Government's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Core Values:

Integrity, Objectivity, Confidentiality, and Competency.

Monthly Activity Report: Content

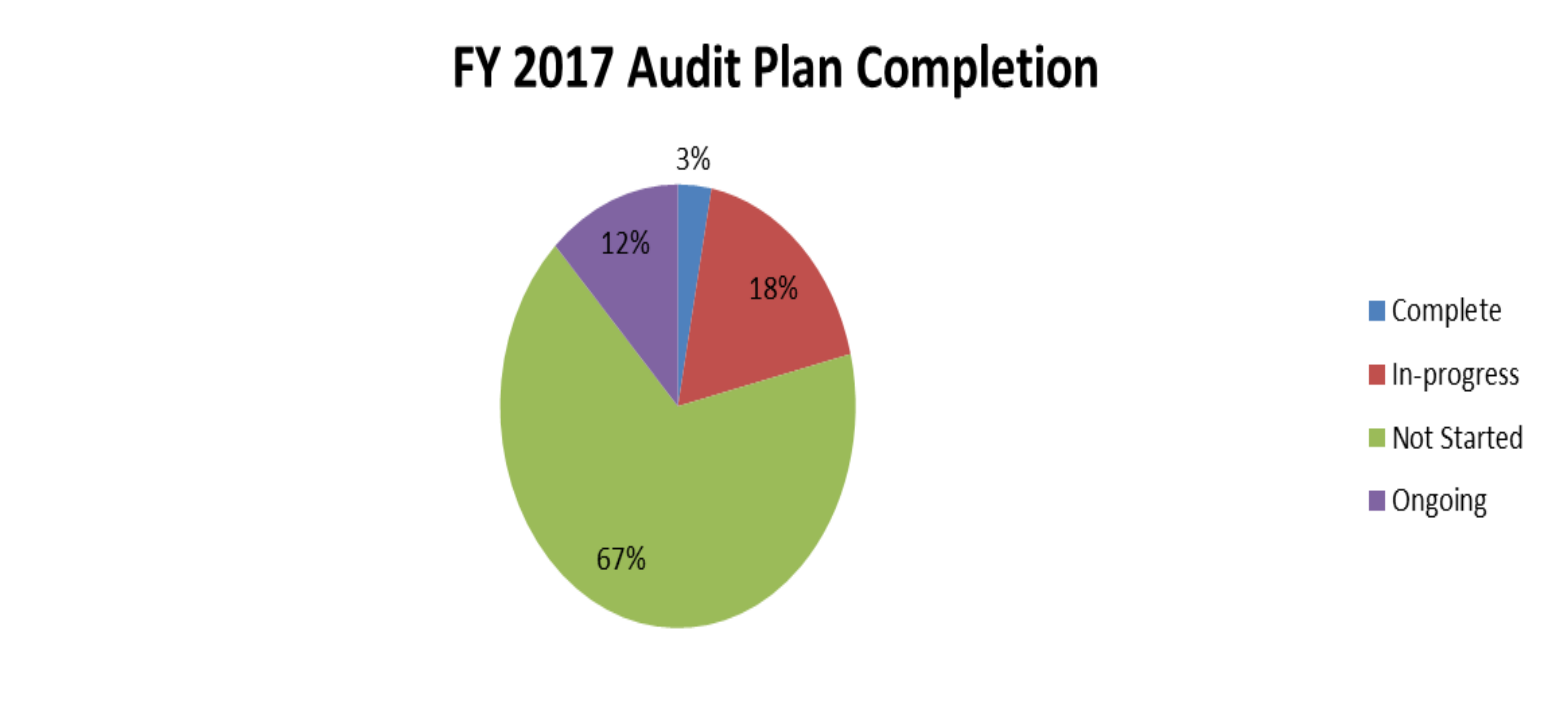
Staffing Snapshot

- Information regarding staffing including:
  - Employee Name
  - Advanced Degrees
  - Certifications
  - Office of Internal Audit Tenure
  - Audit Experience
  - Vacancies

Monthly Activity Report: Content

II. Audit Plan Status

Illustration of Audit Plan Completion



Monthly Activity Report: Content

III. Audit Projects: In-progress

Department/ Area	Project	Completion Status	Audit Process Stage
Enterprise	Policy - Cellular Device Usage and Management	In-progress	Draft Report
Enterprise	Payroll Review CY2015	In-progress	Fieldwork
Office of Management and Budget	Fleet and Facilities: Parts Cost	In-progress	Fieldwork
Enterprise	Grant Monitoring Process	In-progress	Corrective Actions Pending
Enterprise	Special Request: Code Enforcement Activity	In-progress	Corrective Actions Pending
Emergency Services	CAD - Emergency Dispatch System	In-progress	Planning

Louisville METRO

Monthly Activity Report: Content

III. Audit Projects: In-progress

Planning

- Client Notification
- Entrance Conference
- Risk Assessment
- Client Interview/ Process Documentation
- Audit Plan

Fieldwork

- Finalize Audit Plan
- Client Interview
- Testing for Compliance
- Testing for Assurance
- Assessing Internal Controls
- Compiling and Communicating Preliminary Results

Draft Report

- Sharing Results
- Collaborating to Determine Recommendations
- Drafting Report
- Distributing Draft Report

Corrective Actions Pending

- Exit Conference
- Management has 30 days to accept recommendations or submit alternative corrective actions.

Final Report

- Corrective Actions Received
- Final Report Issued

Metro Louisville

Monthly Activity Report: Content

IV. Audit Projects: Upcoming Projects

Department/ Area	Project	Status	Expected Start Month	Expected Start Year
Enterprise	Commercial Driver's License	Not Started	December	2016
Enterprise	Policy - Tuition Assistance	Not Started	December	2016
Human Resources	Health Insurance Administration	Not Started	October	2016
Enterprise	Boards and Commissions: Member Payment Activity	Not Started	October	2016
Department of Information Technology	IT Project Implementation	Not Started	December	2016
Animal Services	Controlled Substances	Not Started	October	2016
Enterprise	Audit Follow-up	Not Started	December	2016
Animal Services	Revenue Activity	Not Started	October	2016
Corrections	Home Incarceration Program	Not Started	October	2016
Parks & Recreation	Revenue Activity: Billing and Collections	Not Started	November	2016
Develop Louisville	Capital Projects	Not Started	February	2017
Related Agencies - Office of Internal Audit	Annual Report of Activities	Not Started	January	2017
Related Agencies - Office of Internal Audit	Annual Quality Assessment Review (Internal)	Not Started	January	2017

Louisville

Monthly Activity Report: Content

V. Audit Projects: Completed Projects

Department/ Area	Project	Issue Date	Significant Issues	Corrective Action Target Implementation Date
Revenue Commission	Special Requests: Revenue Commission Internal Inspection	9/30/2016	None	None

Monthly Activity Report Questions