



# How do we identify internal audit work

1

**DAVID GIVANS,  
COUNTY INTERNAL AUDITOR**

**AUDIT COMMITTEE MEETING  
MARCH 10, 2023**

# Overview

2

## Purpose:

Explain some of the background process to identifying most relevant areas to include in internal audit workplan.

- Risk based decision making
- Getting feedback
- Workplan development

# Why risk?

3

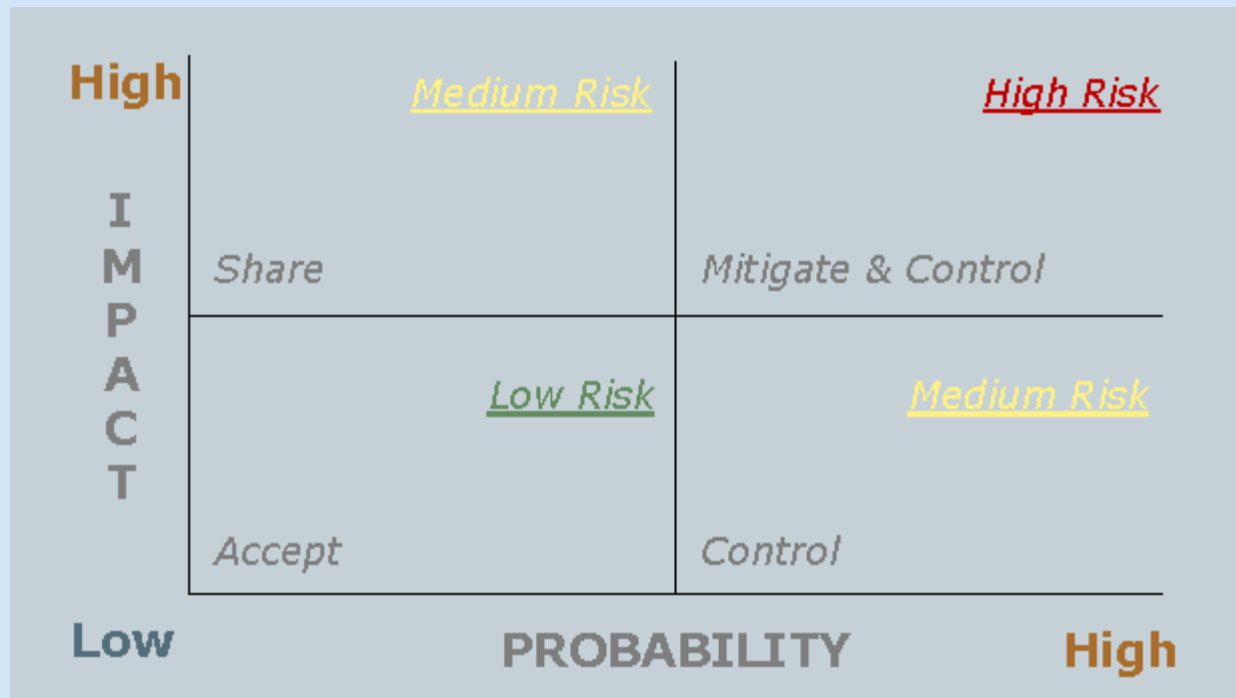
Risk reflects the chance that an organization will not meet its goals.

- Audits should help to reduce risk and help organization achieve its goals.
  - Audits should have impact.
- Audit time should be leveraged to address risks and risk appetite.
- Audit time is a limited resource.

# Impact and likelihood

4

Impact and likelihood helps assure you are working in the right place at the right time.



# Risk based decision making

5

Purpose: Risk assessment is used to prioritize work

Risk Factor Themes (weighting):

1. Strategic / management (30%)
2. Complexity of operations (25%)
3. Fiscal risks (25%)
4. Community trust and confidence (10%)
5. Asset profile (10%)

# Risk factor – Strategic management (30%)

6

- Of significance to operations
  - Very High – Established as a County strategic element or is highly visible to public.
- Management input
  - Very High - Board and/or management identify as an area of concern.
- Service alignment
  - Very high – Services are not required or not fiscally supported.

# Risk factor – Complexity of operations (25%)

7

- **Fund type**
  - Very High – enterprise funds, discretionary projects
- **Velocity of current changes**
  - Very High - Significant change in volume and/or nature of business
- **Control environment**
  - Very High – lack of a standardized control environment.
- **Nature of project activity**
  - Very High – High dollar and numerous projects at same time
- **Contracts supporting business**
  - Very High – supported by vendor contracts and one key vendor
- **Staff size**
  - Very High – Large number of employees
  - Turnover and key employee dependency

# Risk factor – Fiscal (25%)

8

- Gross revenue
- Operating expenditures
- Reliance on general fund
- Transaction processing systems
- Accounting transparency
- Staffing levels
- Operational capacity (over/under)
- Adequacy of resources
- Capital expenditures



# Risk factor – Community trust (10%)

9

- Reputation
  - Very High - Adverse view is community-wide
- Customer satisfaction
  - Very High – Community aware of poor service performance
- Public visibility
  - Very High – Severe public reaction extended to national level

# Risk factor – Assets profile (10%)

10

- Liquidity of assets
  - Very High - cash
- Composition of assets
  - Very High – Diverse and multiple asset classes
- Dollar value of daily cash receipts
  - Very High – > \$5,000

# Risk calculation tool

11

- Develop a risk score for all the considered factors
- For each criteria determine the overall assessment of
  - Impact
  - Likelihood
  - Velocity of change

# Workplan development

12

- Develop a two-year workplan
- Resources linked to potential audit topics
  - Limited resources
- Use risks to direct areas for potential review
- Use discussions with management and areas for development of audit topic
- Should address major issues facing the organization.

# Where are we today?

13

- Will be working on FY 2024 & 2025 workplan
  - Discussing with the audit committee
  - Will solicit ideas from departments
  - Will meet with Commissioners
  - Will meet with Administration/Legal/Human Resources
- Looking for input to identify areas that
  - Represent goals of the organization that may be at risk
  - Areas of higher risk of impact and likelihood
    - ✦ Departmental
    - ✦ Countywide
- Keep in mind fiscal audit rotation plan

QUESTIONS?

FEEDBACK?