

**Board Report**

File #: 2018-0336, **File Type:** Plan**Agenda Number:** 13.

REVISED
FINANCE, BUDGET AND AUDIT COMMITTEE
JUNE 20, 2018

SUBJECT: FY19 AUDIT PLAN**ACTION: ADOPT THE FY19 PROPOSED AUDIT PLAN****RECOMMENDATION**

ADOPT the FY19 Proposed Audit Plan.

ISSUE

At its January 2008 meeting, the Board adopted modifications to the FY07 Financial Stability Policy. The Financial Stability Policy requires Management Audit Services (Management Audit) to develop a risk assessment and an audit plan each year and present it to the Board. It also requires that the Finance, Budget and Audit Committee, as the audit committee for the agency, provide input and approval of the audit plan.

DISCUSSION

Instrumental to the development of the FY19 Audit Plan was completion of the FY18 agency-wide risk assessment. The agency-wide risk assessment is continually being refined and adjusted based upon events, issues identified during audits and agency priorities. The risk assessment continues to place a strong emphasis on the agency's internal control framework and vulnerability to fraud. We believe this year's risk assessment portrays the agency's risks in light of the changes to our risk environment and the challenges the agency faces in the next few years. The result is the FY19 Proposed Audit Plan (Attachment A).

This is the fourteenth year an audit plan has been developed and presented to the Board for input and adoption.

Policy Implications

An audit plan defines the work that will be completed or directed by Management Audit each fiscal year. It indicates both the depth and breadth of audit activities addressing financial, operational and compliance risks for the agency. The audit plan also identifies the extent to which controls are being

assessed by routine audit activities, addressed proactively through advisory services, or as a result of concerns from management.

The annual audit plan is driven by two key factors: (1) risk assessment results, and (2) audit resources. The goal in drafting the audit plan is to address the highest risk areas at the agency given the resources available to complete the audits.

In developing the plan, the hours included for each audit are an estimate. There are occasions where some reviews may take longer and therefore absorb more hours than proposed and in other cases, the audit will be completed in fewer hours than estimated. In addition, urgent requests arise that need audit support. When this occurs, the plan must be reassessed and Management Audit may supplement internal resources with outside consultants as long as there are funding and consultants available for the task. Therefore, not all planned audit work may be completed and the audit plan may be reassessed and adjusted during the year for unanticipated risks and work.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro patrons or employees.

FINANCIAL IMPACT

Funding for the annual audit plan has already been included in the FY19 budget in Management Audit's cost center and the appropriate projects throughout the agency.

ALTERNATIVES CONSIDERED

One option would be not to complete an annual audit plan. This is not recommended since the audit plan is a management tool to systematically assign resources to areas that are a concern or high risk to the agency. Communicating the audit plan to the Board is required by audit standards.

NEXT STEPS

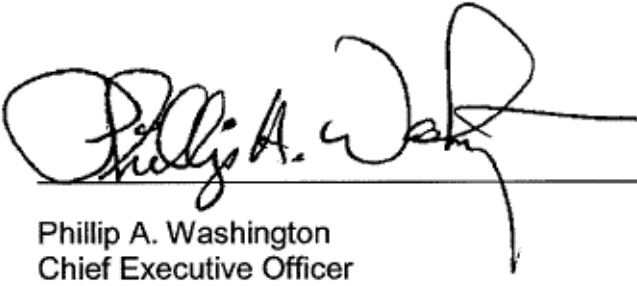
Upon Board approval, Management Audit will develop the audit schedule for FY19. Management Audit will report to the Board quarterly on its progress in completing the annual audit plan.

ATTACHMENT

Attachment A - FY19 Annual Business Plan and Proposed Audit Plan

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