



Board Report

File #: 2019-0254, File Type: Plan

Agenda Number: 12.

FINANCE, BUDGET AND AUDIT COMMITTEE JUNE 19, 2019

SUBJECT: FY20 AUDIT PLAN

ACTION: ADOPT AUDIT PLAN

RECOMMENDATION

ADOPT the FY20 Proposed Audit Plan.

ISSUE

Management Audit Services' (Management Audit) must provide its Annual Audit Plan to Metro's Board of Directors for input and approval.

BACKGROUND

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 FY20 Audit Plan was the completion of the FY19 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 FY20 Proposed Audit Plan (Attachment A).

This is the fifteenth 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 addition, urgent requests may 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 is 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 FY20 budget in Management Audit's cost center and the appropriate projects throughout the agency.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. However, the projects included in the plan directly or indirectly support all five Vision 2028 goals identified in Metro's Strategic Plan.

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

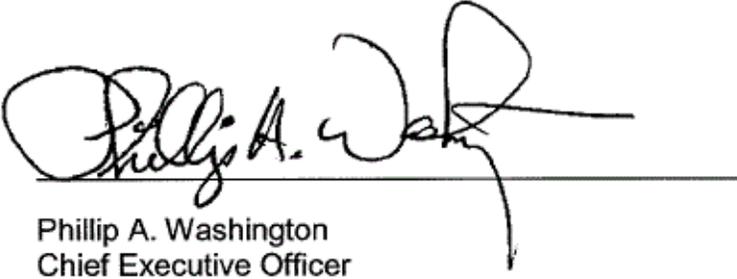
Upon Board approval, Management Audit will develop the audit schedule for FY20. Management Audit will report to the Board quarterly on its progress in completing the annual audit plan.

ATTACHMENTS

Attachment A - FY20 Annual Business Plan and Proposed Audit Plan

Prepared by: Alfred Rodas, Sr. Director, Audit, (213) 922-4553
Monica Del Toro, Audit Support Manager, (213) 922-7494

Reviewed by: Diana Estrada, Chief Auditor, (213) 922-2161



Phillip A. Washington
Chief Executive Officer