

<b>OPERATIONAL PROCEDURES</b>	Procedure No. <b>220.10 ANNUAL AUDIT PLAN</b> <b>LAST REVISED: MARCH 31, 2016</b>	<b>PAGE 1 OF 3</b>
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## **ANNUAL AUDIT PLAN (*THE PLAN*)**

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### **DEFINITION –**

An outline and goal of specific work within a defined scope to be performed for the upcoming fiscal year as approved by the CC, which is based primarily upon risk assessment methodology

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### **PURPOSE –**

To provide a measurable, *yet flexible* commitment to performance and provision in a document which is derived from, and connects to, the identified risks associated with an ERA that includes consideration of Risk Management (ERMA)

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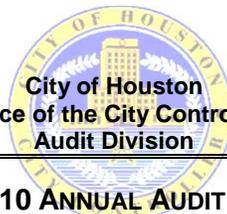
### **APPROACH AND METHODOLOGY –**

As mentioned previously, the output of the Enterprise Risk Assessment (ERA) provides a view of departments, functions, and activities that are put on the horizon for the AD to use for its examination and reporting responsibilities. This process includes:

- Developing and maintaining the Audit Universe as part of ERA/ERMA (See [Procedure 220.30](#) on Risk Assessment and Risk Management);
- Identifying potential audit/engagements to be considered for *The Plan*;
- Prioritizing the potential engagements through strategic decisions in developing *The Plan*;
- A formal Audit Planning Meeting within the AD, which is used as an element of developing *The Plan*;
- Identifying necessary resources to allocate with consideration of budgetary impact;
- CA proposing *The Plan* to the CC;
- Adoption of *The Plan* through the approval of the CC; and
- Periodic update and communication by the CA to the CC regarding status of projects and relationship of progress to the original plan.

*The Plan* has four major inputs:

1. Risk Assessment of the known Audit Universe
2. Input from the AD team and directives, special projects and other engagements as requested by the elected officials (Mayor, City Council) and other stakeholders (other City Departments, external audit considerations, etc.);
3. Significant structural, economic, legislative or environmental changes (including changes that affect the Audit Universe); and
4. Considerations of Information Technology (IT) Systems (including prior audits, etc.).



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### **AD PLANNING MEETING**

Prior to submitting *The Plan* for approval, the AD meets as a team with all staff members present. The status of the active plan is reviewed and ideas are discussed to identify potential engagements and projects for the upcoming fiscal year. The process is documented and utilized as a component to develop the proposed *Plan*. Consideration is also given to Independence as it relates to each Audit/Engagement, and Nonaudit Services when preparing the Annual Audit Plan and also when considering projects that arise in addition to those on the plan.

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### **THE PLAN APPROVAL**

*The Plan* is reviewed and approved by the CC. The Approved Plan comprises the flexible commitment of the AD's performance for the upcoming fiscal year and includes a list of engagements scheduled.

Below is a hyperlink to *The Plan* for the fiscal year 2016:

See: <http://www.houstontx.gov/controller/audit/fy2016auditplan.pdf>

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### **COMMUNICATING THE PLAN**

Once approved, *The Plan* will be presented to the AD staff for open discussion. This exchange may include consideration of items such as:

- Matching staff auditors with certain areas of expertise to the most appropriate audits in the new Audit Plan;
- Reason(s) that engagements are included in the plan (allows background to be identified related to each particular audit);
- Examining and/or identifying scope and objectives more closely;
- The length and period of time an engagement may require;
- Staff scheduling and availability; and
- Potential conflicts of interest and impairment to independence.

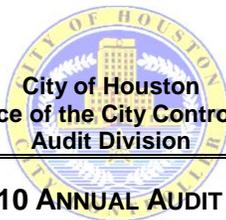
*The Plan* lists projects for:

- Performance Audits (including Compliance Audits);
- Attestation Engagements;
- Data Analytics and Continuous Auditing;
- Special Projects;
- Unannounced Audits; and
- Ongoing/Recurring Projects/Procedures.

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### **MODIFICATIONS TO THE PLAN**

Initiatives, economic, and emergent circumstances can arise throughout the fiscal year that impacts the priorities of the planned engagements and require an adaptive environment. Ongoing consideration of fraud, waste, and abuse that impacts the priorities of the AD and resources are communicated to the CC as necessary with adjustments to *The Plan* as needed. This underscores the fact that *The Plan* is a living document and is flexible and adaptable based on changes to the City and its risk environment.



City of Houston  
Office of the City Controller  
Audit Division

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**RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE**

**Note:** GAGAS does not address the Internal Audit Function specifically, and therefore the Audit Plan is guided by the Standards and Advisories issued by the IIA.

**IIA STANDARDS**

- 1110 – INDEPENDENCE AND OBJECTIVITY
- 2010 – PLANNING
- 2020 – COMMUNICATION AND APPROVAL
- 2030 – RESOURCE MANAGEMENT
- 2040 – POLICIES AND PROCEDURES
- 2060 – REPORTING TO SENIOR MANAGEMENT AND THE BOARD
- 2120 – RISK MANAGEMENT
- 2130 – CONTROL
- 2240 – ENGAGEMENT WORK PROGRAM

**IIA PRACTICE ADVISORIES**

- 1110-1 ORGANIZATIONAL INDEPENDENCE
- 2010-1 LINKING THE AUDIT PLAN TO RISK AND EXPOSURES
- 2020-1 COMMUNICATION AND APPROVAL
- 2030-1 RESOURCE MANAGEMENT
- 2040-1 POLICIES AND PROCEDURES
- 2120-1 ASSESSING THE ADEQUACY OF RISK MANAGEMENT PROCESSES
- 2130-1 ASSESSING THE ADEQUACY OF CONTROL PROCESSES
- 2210-1 ENGAGEMENT OBJECTIVES

**CHANGE HISTORY**

<b>Chg #</b>	<b>Date</b>	<b>Section</b>	<b>Description/Reason</b>
1	3/31/2016	The Plan Approval	Reference to audit/engagement numbers deleted