**Annual Audit Plan Development**

**FY13**

**As of March 19, 2012**

1. **Annual Audit Plan: Background**

The annual audit plan is developed based on risks faced by the University of Alaska. This includes risks that are known by the audit department and risks that are communicated by stakeholders via risk assessments and in response to our annual planning questionnaire (see example on the last page of this section). Auditor time is budgeted to accommodate the audit plan, but it is not unusual for actual audit time to exceed the budgeted time, or for unplanned activities such as investigations or requests for auditor assistance to infringe upon the time alotted for scheduled audits. Risks that are not able to be addressed due to audit department resources must be communicated to senior management and the Board of Regents Audit Committee. Planned audits that are not able to be conducted during the year need to be reevaluated for inclusion in the next annual audit plan. This is important since factors that lead to risks are in a constant state of change. For example, a risk that existed during the audit plan development for FY12 may not be relevant during audit plan development for FY13 due to revision of policies and procedures, or implementation of other internal controls, during FY12.

1. **Annual Audit Plan: Standards and Policy**

Institute of Internal Auditors’ Performance Standard 2010 – Planning, states:

The chief audit executive must establish risk based plans to determine the priorities of the internal audit activity, consistent with the organization’s goals.

Board of Regents policy P05.03.012 states:

Internal auditing is an independent appraisal activity established within the university to examine and evaluate its activities to meet the needs of the board and executive management. Internal audits may include financial, performance, operational and compliance audits. The mission of the internal audit department is to assist the board and management in the effective discharge of their fiduciary and administrative responsibilities by providing analysis, appraisals, counsel, information and recommendations concerning activities reviewed and by promoting effective controls for the recording and reporting of operational activities and for the custody and safeguarding of assets.

1. **Annual Audit Plan: Development Process**
   1. **March** – The annual stakeholder survey is distributed to the President, vice presidents, chancellors, vice chancellors, chief information technology officer (CITO), and MAU IT directors (see example on the last page of this section).
   2. **April** – A draft audit plan is created.
      1. A list of audits for the upcoming year is developed based on the audit universe risk assessment, which includes:
         1. Concerns voiced by management in response to the annual stakeholder survey conducted in March.
         2. Risk assessment results from the the Statewide Office of Risk Services Annual Risk Register. This report is communicated to the Board of Regents in September, so the stakeholder survey includes questions that permit the updating of the risks reported in the Risk Register.
         3. Concerns voiced by the Board of Regents, management and staff throughout the year.
         4. Concerns externally voiced during the course of external audit activities, such as the annual financial statement auditors, federal agency auditors, and legislative auditors.
         5. Auditor knowledge of risks based on maintaining relationships with professional organizations and peers and attending audit topic seminars.
         6. Risks that were discovered during prior audits but not included in the audits due to audit scope.
         7. Current trends that have an expected impact on higher education organizations (i.e.: opportunities for cost reduction/saving, areas of concern with recent Office of Inspector General audits at other higher education institutions, information from NACUBO, ACUA, AIPCA, IIA, ISACA and other professional organizations).
         8. Audits that were planned for the current year but will not be completed due to time/staffing. If there is a legitimate reason to omit an audit from carry over to the upcoming year, indicate the reason in the audit universe notes for future reference. This must be communicated to the Audit Committee for their awareness of planned audits that will not be conducted.
      2. Create a schedule of auditor hours for each audit. This will categorize audit staff time by direct audit hours and indirect hours (Administration & Other, and Professional Development).
      3. Update the Plan Overview section of the audit plan, as needed. For example, if hours budgeted for Administration & Other or Professional Development changed from the prior year, this will need to be updated.
   3. **April** – Adraft summary of planned audits is distributed to the president, vice presidents, CITO, chancellors, vice chancellors and MAU IT directors for review and input. A response deadline of one week is typically established.
   4. **April** – The Audit Committee is notified of the audit plan development process for the upcoming fiscal year. They will be asked if there are any areas of risk that, in their opinion, would benefit from review.
   5. **May** - Feedback on the draft summary of planned audits is received and the annual audit plan is finalized. The plan is included in the Board of Regents meeting reference materials for the June meeting.

**4. Annual Audit Plan: Modification after Approval**

As mentioned in the background secion, risks are constantly changing. What may have been considered high risk during audit plan development may be superceded later in the year by a new risk that has emerged or been communicated to internal audit by senior management. These risks need to be evaluated for inclusion in the current audit plan or postponement to the next year’s audit plan. Since the Board of Regents Audit Committee approves the annual audit plan, they need to also remain in the process for any changes that are deemed to be necessary to the plan after approval was obtained. If the change appears to be signficant, committee approval needs to be obtained for the change.

**Statewide** **Internal Audit**

**FY13 Audit Planning Questionnaire**

**Purpose, Standards and Policy:**

This questionnaire is intended to aid in the development of the FY13 annual audit plan and identify any consulting areas that may be desired outside of our regular audits.

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**Questions:**

1. Please list the top five to ten risks you believe your area of responsibility is facing, whether or not those risks are unique to your institution or position.
2. Please list the top five to ten risks you believe the University of Alaska System is facing.
3. Does your area of responsibility already have a risk assessment? (Yes/No)
   1. If “Yes,” please provide a copy, or indicate if this information was already covered in 1 or 2 above.
4. Are there any units, areas or processes of which an audit would be beneficial during FY13? Include a brief description of the risks that should be considered for review.
5. Do you have concerns regarding:
   1. Potentially fraudulent activity?
   2. The method by which ethical misconduct or fraudulent activity is reported?
6. Are there any other comments or information you would like to share?