



Office of the City Auditor Policies and Procedures

Number: 3.1.8**Title:** Audit Planning

Original Date:**Revision Date:****Last Review Date:****Approved by:**

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I. References:

See *Government Auditing Standards*, also referred to as GAGAS (*Generally Accepted Government Auditing Standards*), July 2007 revision, Chapter 7, in particular, Sections 7.01-7.51.

For an overview of the Office of the City Auditor (OCA) audit process, refer to OCA Policy 3.1.1, Audit Process Overview.

II. Policy

In accordance with the requirements of GAGAS, all Office of the City Auditor (OCA) performance audits will be planned to reduce audit risk to an appropriate level for auditors to provide reasonable assurance that the evidence collected is sufficient and appropriate to meet audit objectives and support the audit findings and conclusions.

III. Purpose

The purpose of this policy is to provide specific procedures designed to help ensure that OCA performance audits are adequately planned in accordance with GAGAS and that this planning is adequately documented.

IV. Definitions

None

V. Procedures/Responsibilities

The planning phase of an audit involves gaining an understanding of the organization or topic to be audited, performing a risk assessment, and developing the audit's fieldwork objectives. In OCA, the planning phase typically includes both the pre-survey and survey phase. For very limited or narrow scope audits, some steps may be abbreviated, but all steps are required. Auditors should consult with their AIC/ACA on the most efficient compliance and document deviations according to policy 3.1.7, Ensuring Compliance with OCA Audit Policies and Procedures.

A. Pre-survey phase

The pre-survey phase involves the initial communication regarding the audit project and the gathering of background information on the audited entity or topic. The information gathered is used to scan for preliminary risks and vulnerabilities and identify areas warranting further survey work.

1. During the pre-survey phase, the **Deputy City Auditor (DCA)**, along with the **City Auditor (CA)** as necessary, is responsible for:
 - a. ensuring the independence, competence and sufficiency of assigned audit staff and resources in accordance with OCA Policies 3.1.2, Assessing and Certifying Auditor Independence and 3.1.3, Assessing Audit Team Competence;
 - b. considering the potential need for outside experts according to OCA Policy 3.1.4, Use of Outside Experts; and
 - c. attesting to the independence and competence assessment and audit team assignment by signing the *Auditor Assignment and Independence Form*.
2. During the pre-survey phase, the **Auditor-in-Charge (AIC)** is responsible for:
 - a. holding a purpose/background meeting with OCA management or staff who may have relevant experience and information about the proposed audit topic and stakeholder needs, to obtain input on the preliminary objectives, scope, and methodology;
 - b. ensuring that all participants on the audit attest to their independence according to OCA Policy 3.1.2, Assessing and Certifying Auditor Independence, through signatures on the *Auditor Assignment and Independence Form*.
 - c. sending a written notification of audit, bearing the signature of the ACA assigned to the project, to the relevant department director(s), Assistant City Managers, and other stakeholders as appropriate;

- d. scheduling and leading an entrance conference to introduce the audit team to the audited entity's management team, explain the audit process, and describe the purpose of the audit or project and the expected areas of examination;
- e. evaluating other current or previous audits or other professional work for relevance and potential reliance; and
- f. developing and obtaining **ACA** and **DCA** review and approval of a written Survey Plan which addresses the initial audit objectives and contains:
 - i. estimates of budgeted hours and calendar dates for completion of the survey phase and a projection of the date the final report might go to the Audit and Finance Committee; and
 - ii. steps designed to identify, gather information on, and assess the existence and significance of risks and vulnerabilities, including procedures designed to gain an understanding of:
 - the nature and profile of the program(s) to be audited;
 - the needs of potential users of the audit report;
 - internal control as it relates to the proposed objectives and scope of the audit;
 - information systems controls which are significant to the audit objectives or to data needed to complete audit objectives;
 - legal and regulatory requirements relevant to the audit objectives;
 - contract provisions or grant agreements relevant to the audit objectives;
 - risks and sources or opportunities for potential fraud that could be significant within the context of the audit objectives;
 - abuse that could be significant to the audit objectives; and
 - results of previous audits and attestation engagements that relate to the current audit objectives and the status of corrective actions taken by management to address related findings and recommendations.

B. Survey phase

The survey phase involves the collection of information about the audited entity, the formal assessment of risks and vulnerabilities relevant to the preliminary audit objective(s), and the development and refinement of the fieldwork objectives, scope, and methodology.

1. The **AIC** is responsible for managing the execution of the approved Survey Plan.
2. Also during the survey phase, the **AIC** should ensure that the **audit team**:
 - a. identifies potential criteria needed to evaluate matters subject to audit; and
 - b. identifies and evaluates sources of audit evidence and determines the amount and type of evidence needed considering the audit risk and significance. If the **audit team** determines that it is likely that sufficient, appropriate evidence is not obtainable:
 - i. the **AIC** should inform the **ACA** and assess whether the unavailability of evidence itself constitutes a reportable internal control deficiency finding or an audit impairment; and
 - ii. the **AIC** and **ACA** should consult the **DCA** regarding whether to adjust the audit objectives and/or scope or proceed otherwise;
 - iii. the **AIC** should document the decision regarding how to proceed in the audit documentation.
3. As survey information is collected and evaluated, the **AIC** is responsible for leading the audit team in the development of **Preliminary Records of Audit Findings (PRAFS)**, which contain preliminary audit findings (e.g., criteria, condition, potential cause(s), and potential effect(s)).
4. As preliminary findings are being developed and finalized, the **AIC** is responsible for leading the audit team in the performance of a formal **Risk and Vulnerability Assessment (RVA)**. The RVA is the process used by OCA for determining the most significant risks pertaining to the initial audit objective(s) in order to identify appropriate areas in which to focus fieldwork.
 - a. When performing the RVA, the **AIC** should use a formal risk model to help ensure completeness and quality. The model used will depend upon the nature of the audit. Models commonly used by OCA include:
 - i. Performance Expectations model;
 - ii. COSO Enterprise Risk Management (ERM) model;
 - iii. Levels of Control model; and
 - iv. Service Delivery model (with Input-Process-Output-Outcome).

Note: Supplemental information about each these models can be found in the OCA common folders and in the Audit Guide.

- b. When assessing risk, the **AIC** and the **audit team** are responsible for ensuring that the following GAGAS requirements are adequately addressed and that evidence of such is included in the audit documentation.
 - i. Internal Control: GAGAS 7.16-7.22
 - ii. Information Systems: GAGAS 7.23-7.27
 - iii. Laws, Regulations, and Contracts: GAGAS 7.28 & 7.29
 - iv. Fraud: GAGAS - 7.30-7.32
 - v. Abuse: GAGAS 7.33 & 7.34
 - vi. Previous Engagements: GAGAS 7.36
 - c. In addition to documenting compliance with the above requirements, the **AIC** is responsible for ensuring that the audit documentation reflecting the RVA also includes
 - i. the degree (low, medium, high) of risk and vulnerability determined to be applicable to each identified risk area,
 - ii. a description of the criteria used to assign risk ratings for each risk area, and
 - iii. the justification for which risks will be carried forward into fieldwork, particularly if do-ability or other concerns limit the ability to address all significant risks identified.
5. Following the RVA, the **AIC** shall lead the audit team in the preparation of the **Survey Results Package (SRP)** which includes the:
 - a. the RVA results and the criteria used for the RVA ratings;
 - b. cross-referenced PRAFs, supported by work papers that are cross-referenced and reviewed;
 - c. proposed fieldwork objectives, reflecting areas of high inherent and/or control risk identified in the RVA; and
 - d. projected resource demands, status of project hours, milestone dates, and target dates for completion of the audit.
 6. The **ACA** is responsible for reviewing and approving the SRP.
 7. Upon ACA approval of the SRP, the **AIC** will schedule a midpoint briefing to include the **CA**, **DCA**, and **ACA** for presentation of the results of the SRP with focus on the RVA results and preliminary fieldwork objectives. The meeting should be used to gather input from OCA management in order to finalize the fieldwork objectives for approval.
 8. Following **ACA**, **DCA**, and **CA** approval of the fieldwork objectives, the **AIC** shall develop a fieldwork plan to address those objectives through the identification, gathering, and evaluation of sufficient and appropriate evidence.

9. To ensure that the fieldwork plan fully considers the steps necessary to comply with GAGAS, the **AIC** should draft, for ACA review, a preliminary GAGAS compliance statement based on the planned fieldwork objectives, scope, and methodology. If anything other than full GAGAS compliance is anticipated for any audit, this should be escalated to the DCA for approval. This should be the exception, not a frequent occurrence.
 - a. See policy 3.1.9, Audit Fieldwork and Evidence, for further information on developing the fieldwork plan.
 - b. See policy 3.5.4, Report Content and Format for Performance Audits, for GAGAS compliance statement requirements.
10. After the fieldwork objectives are finalized, the **AIC** is responsible for scheduling and leading a midpoint conference with the auditee management to communicate the results of the RVA, objectives chosen for fieldwork, and proposed methodology.
11. While planning continues throughout the audit, the drafting and submission of the fieldwork plan for approval usually signifies the end of the OCA survey phase and the beginning of the fieldwork phase of the audit. See policy 3.1.9, Audit Fieldwork and Evidence, for further requirements for the fieldwork plan.

C. Planning processes and deviations must be fully documented

The **AIC** and **ACA** are responsible for ensuring that the completion of key planning activities and decisions, including any decisions not to comply with relevant OCA policies and procedures, is documented in audit working papers and on the *Performance Audit Checklist* as described in OCA policy 3.1.7, Ensuring Compliance with OCA Audit Process and Policy.

OVERVIEW OF THE OCA AUDIT PLANNING PROCESS

