



Subcommittee on Audits

# Developing the Risk-Based Audit Plan

Item 3a.1

May 23, 2023

# Introduction

## General Auditor Objective

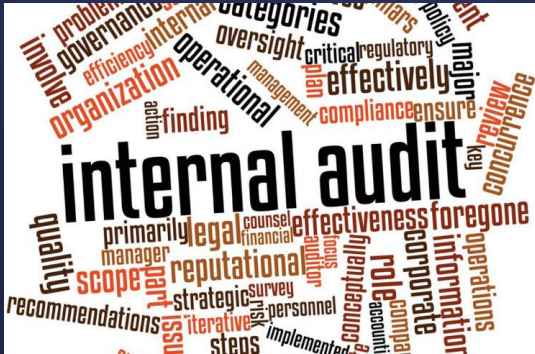
Add value and improve Metropolitan's effectiveness and efficiency

## Strategies

- Thorough planning
- Nimble responsiveness
- Set priorities aligned with Metropolitan's objectives
- Audit risks with the greatest potential to affect Metropolitan's ability to achieve its objectives.

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals – IPPF Standard 2010

## Developing the Risk-Based Audit Plan



# Annual Risk Assessment & Audit Plan

## Developing the Risk-Based Audit Plan



- Understand the organization
- Identify, assess, and prioritize risks
- Coordinate with other providers
- Estimate resources
- Propose plan and solicit feedback
- Finalize and communicate plan
- Assess risks continuously
- Update plan and communicate updates

## Developing the Risk- Based Audit Plan



# Understand Metropolitan

- Identify business objectives, strategies, and structure
- Identify and review key documents
- Consult with key stakeholders
- Create the audit universe

# General Auditor's Risk Assessment

## Developing the Risk-Based Audit Plan

Assessment Item	BARE (A)	UNLIKELY (B)	POSSIBLE (C)	LIKELY (D)	ALMOST CERTAIN (E)
CRITICAL (5)	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
SERIOUS (4)	MEDIUM	MEDIUM	MEDIUM	MEDIUM	MEDIUM
	LOW	MEDIUM	MEDIUM	MEDIUM	MEDIUM

- Significance of independent risk assessment
- Understanding Metropolitan's business objectives, strategies, and risks
- Documenting risks
- Risk assessment approach
- Measuring risks
- Validating risk assessment

## Developing the Risk-Based Audit Plan



# Additional Planning Considerations

- Management and Board requests
- Engagement frequency and timing
  - Mandated audits
  - Mission-critical audits
  - Associated resource requirements
  - Coverage of risks by assurance providers
- Audit plan reserves or allocations for contingency, special projects, advisory services, or on-demand requests

## Developing the Risk-Based Audit Plan



# Estimate Resources

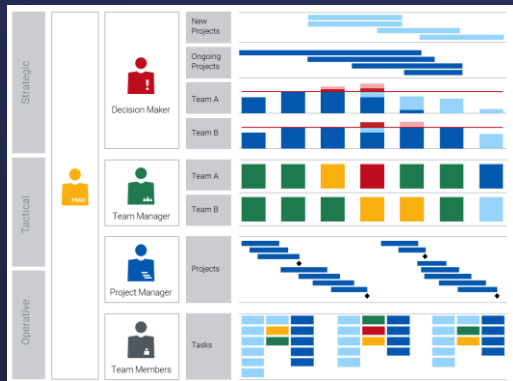
- Assess team skills
- Coordinate coverage with other assurance and consulting providers
- Identify any additional skills required
- Calculate available plan hours
- Identify audit and advisory engagements

## Developing the Risk-Based Audit Plan

# Draft the Audit Plan

## Audit Plan Document Components

- Executive summary
- Risk assessment process
- Planned audit and advisory engagements
- Risk coverage map
- Resource plan





## Developing the Risk-Based Audit Plan



# Propose the Plan and Solicit Feedback

Share with the Board and senior management

- Results of the risk assessment
- How results drive the audit plan
- Confirm coverage of high-risk areas
- How engagements will add value to Metropolitan
- Disposition of any Board or management requests

# Communicate to Finalize the Audit Plan

## Developing the Risk-Based Audit Plan



- Present the audit plan to the Board for approval via the FAIRP Committee and Subcommittee on Audits
- Continuously monitor risks affecting Metropolitan
- Present changes quarterly to Subcommittee on Audits

