

From Risk Assessment to Audit Plan

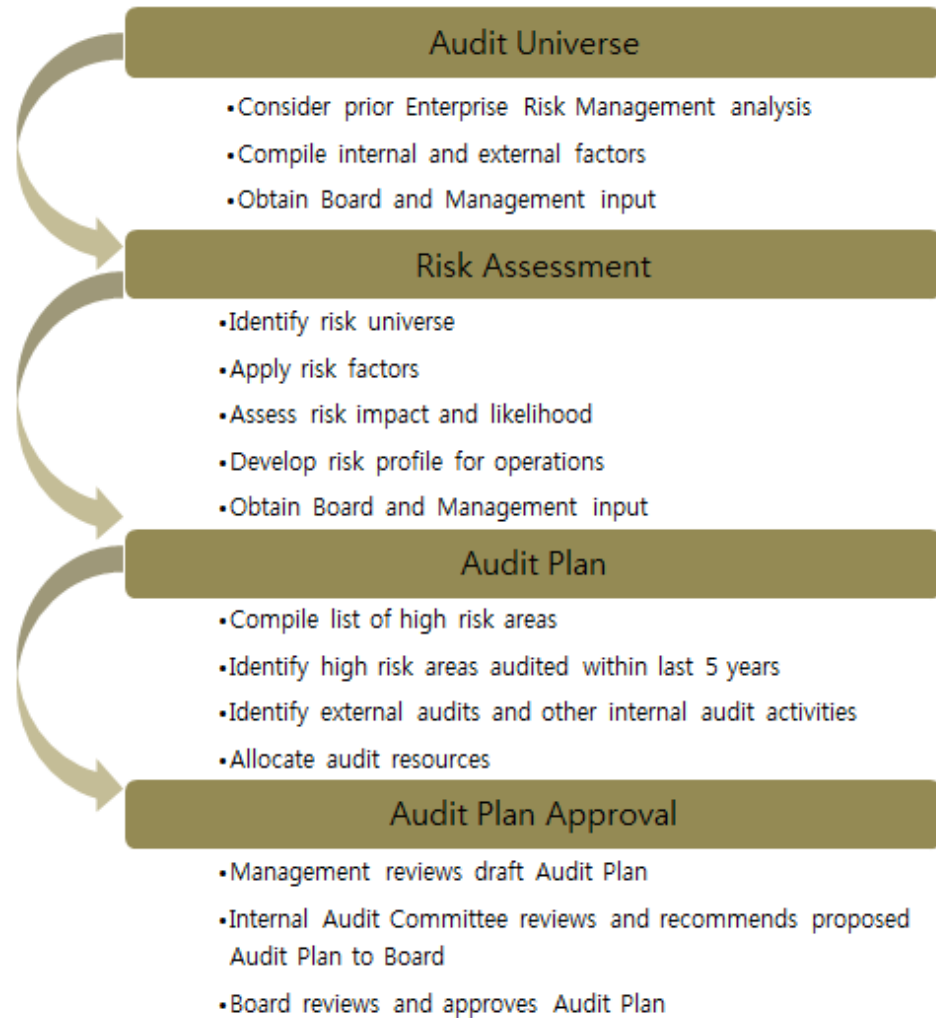
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(Agenda Item 17)

Texas Municipal Retirement System

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Audit Plan Development Process



TMRS Audit Universe

What are the potential range of audit activities?

- Programs, Activities, Functions, Initiatives

Sources of Information

- TMRS Board and Senior Management; financial, investment, and actuarial reports; internal and external audits; policies and procedures

Results

- 88 Audit Topics (risk units)
- 10 TMRS Functions/Departments

Risk Assessment

What are the risks?

What is the impact of a risk event occurring?

- (1) Incidental, (2) Minor, (3) Moderate, (4) Major, (5) Extreme

What is the likelihood of a risk event occurring?

- (1) Rare, (2) Unlikely, (3) Possible, (4) Likely, (5) Frequent

What is the overall risk score?

- Possible scores range from 1 to 25
- High, medium, and low

How is TMRS currently managing risks?

Risk Assessment Example

FINANCE

Risk Unit	Impact	Likelihood	Risk Score	Describe the identified risk	How is the risk currently managed?
Travel	1	2	2	Travel policy may not be followed. Staff may exceed travel allowances or submit non-allowable items for reimbursement.	Senior management reviews and approves travel vouchers. Accounting reviews supporting documentation for travel reimbursements.

Audit Plan Elements

Assumptions

- Two-year audit period (2017 to 2018)
- Staffing includes two internal staff and use of contract auditors

Contents

- Internal audits
- External audits
- Other internal audit activities

Oversight

- Board approval required for Audit Plan and substantive changes to approved plan thereafter
- Periodic updates to TMRS management, Internal Audit Committee, and Board on internal audit activities

Next Steps

Board reviews draft Audit Plan and provides feedback

Audit Plan will be presented at future Board meeting for potential action (requires Board approval for implementation)