

**Risk Assessment and Annual Audit Plan Process: An Overview**  
**Office of the Inspector General and Director of Compliance**  
**State University System of Florida, Board of Governors**

**I. Internal Audit & the Risk Assessment Process**

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Authoritative sources define internal control as a process affected by an entity board of directors, management and other personnel. The process should be designed to provide reasonable assurance regarding achievement of objectives relating to: 1) reliability of financial reporting; 2) effectiveness and efficiency of operations; 3) compliance with applicable laws and regulations; and 4) safeguarding of assets. The foundation for all other components of internal control, providing discipline and structure, is the control environment, which sets the tone for the organization. There are seven control environment factors:

- a. Integrity & ethical values
- b. Commitment to competence
- c. Board of directors or audit committee
- d. Management's philosophy and operating style
- e. Organizational structure
- f. Assignment of authority and responsibility
- g. Human resources policies and procedures

The Office of the Inspector General and Director of Compliance (OIGC) is a key component in the Board of Governors' commitment to accountability and achieving its objectives effectively and efficiently. The goal of the OIGC is to assist the Board and management by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems by offering recommendations for corrective actions. "Risk" in this context is defined as the possibility of an event occurring that will have an impact on the achievement of objectives measured in terms of impact and likelihood. An effective internal audit function adds value to the organization in attaining its stated mission, goals, and objectives.

**II. The Risk Assessment Questionnaire**

In Phase I of the Regulation Compliance Review Project (RCR), Board Staff analyzed whether policies and procedures exist to implement the duties and responsibilities the Board must fulfill as mandated by the provisions of its regulations. The

information and responses from the Risk Assessment Questionnaire and the analysis by Board Staff of each regulation will be utilized by the OIGC staff to identify all auditable activities of the Board office and evaluate each activity based on related risk factors. Risk factors are the criteria used to identify the relative significance of and likelihood that conditions and/or events may occur that could adversely affect the organization. For example, “Complexity of Operations” is concerned with the complexity of an activity with regard to the number of techniques or procedures that are necessary for completion. Complexity can increase both the probability of error and the effort required to monitor the system.

### **III. The Audit Plan**

The purpose of annual and long-term work planning is to ensure that audits, management reviews, known consultation engagements and other known activities are planned and accomplished in an orderly manner within the OIGC.

Section 20.055(5) (h), Florida Statutes, requires the OIGC to develop an Annual Audit Work Plan and long-term Audit work plans based on the findings of periodic **risk assessments**. These plans, which are updated and republished each year, shall show the individual audits, management reviews, and known consultation engagements that are scheduled to be completed during each fiscal year that is covered by the plans. Additionally, audit staff resources that are expected to be dedicated to each audit, management review or known consultation engagement shall be indicated on the plans. Finally the plans should reflect known recurring activities for each fiscal year, for example, support of external audit and review entities.