



**Washington State Auditor's Office**

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# **How SAAM 20 fits with your audits**

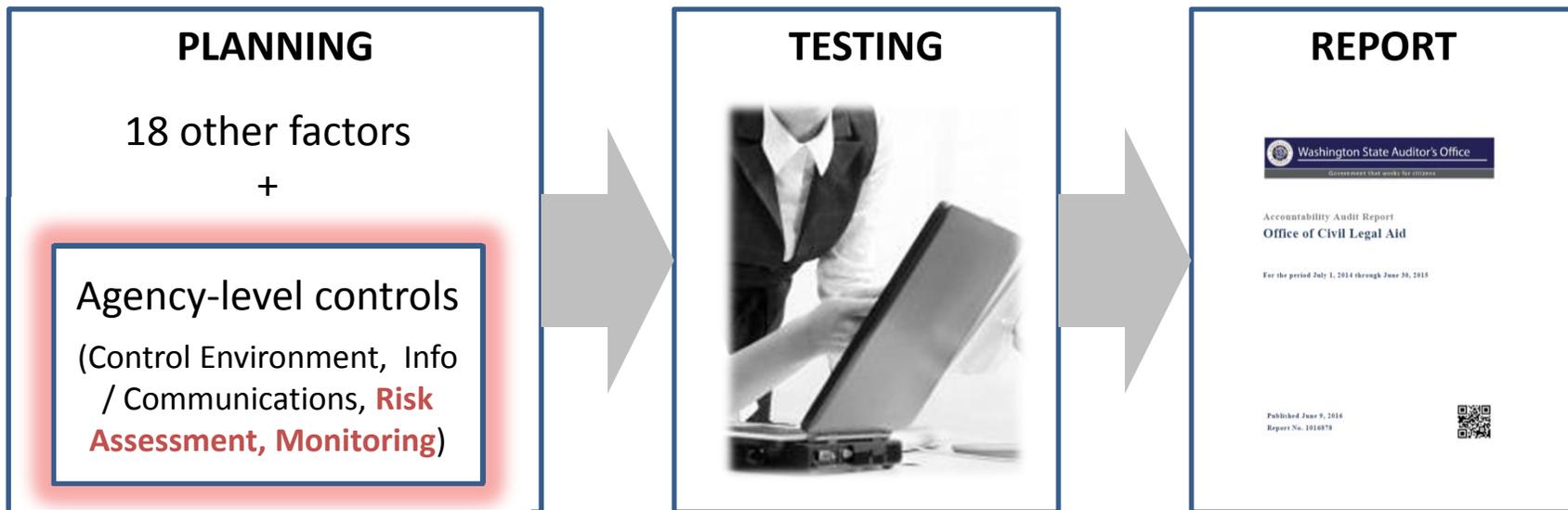
Financial Management Advisory Committee

June 23, 2016

# Will SAO be doing anything differently? NO

Audits not expected to change with any SAAM 20 changes

Evaluating risk assessment and monitoring is part of planning financial, single audit and accountability audits, in accordance with professional standards:



## Auditors consider 4 areas related to SAAM 20

As part of our overall evaluation of internal controls during audit planning, auditors consider:

1. ICO & Internal Audit assignments
2. Risk Assessment
3. Monitoring
4. Annual Summary of Results

# 1. ICO & Internal Audit assignments

## Designated Internal Controls Officer (ICO)?

*Note: designation may be in policy, job description or other documents.*

## **If Yes**, is assigned ICO able to effectively carry out risk assessment and monitoring? Consider:

- ✓ Was position filled during the period?
- ✓ Does ICO have sufficient experience and training?
- ✓ Does ICO have sufficient authority and access to resources?
- ✓ Does ICO coordinate with internal audit (if applicable)?

*Advice: If applicable, ICO and internal audit work together on risk assessment and monitoring plan (IPPF 2010, 2050, 2110 and 2120)*

# 1. ICO & Internal Audit assignments

## Internal audit function?

*Note: an internal audit function is not needed for all agencies.*

## If Yes, is internal audit able to perform effectively? Consider:

- ✓ Who does internal auditor report to?
- ✓ Is internal audit supported by sufficient policies (defining standards to follow, scope, reporting, etc)?
- ✓ Does internal audit have sufficient authority and access?
- ✓ Does internal audit appear sufficiently staffed and resourced?
- ✓ Does internal audit follow professional standards?

*Advice: internal audit should follow IIA standards.*

*Note: if professional standards are followed, be prepared to share latest external assessment report (IPPF 1312).*

## 2. Risk Assessment

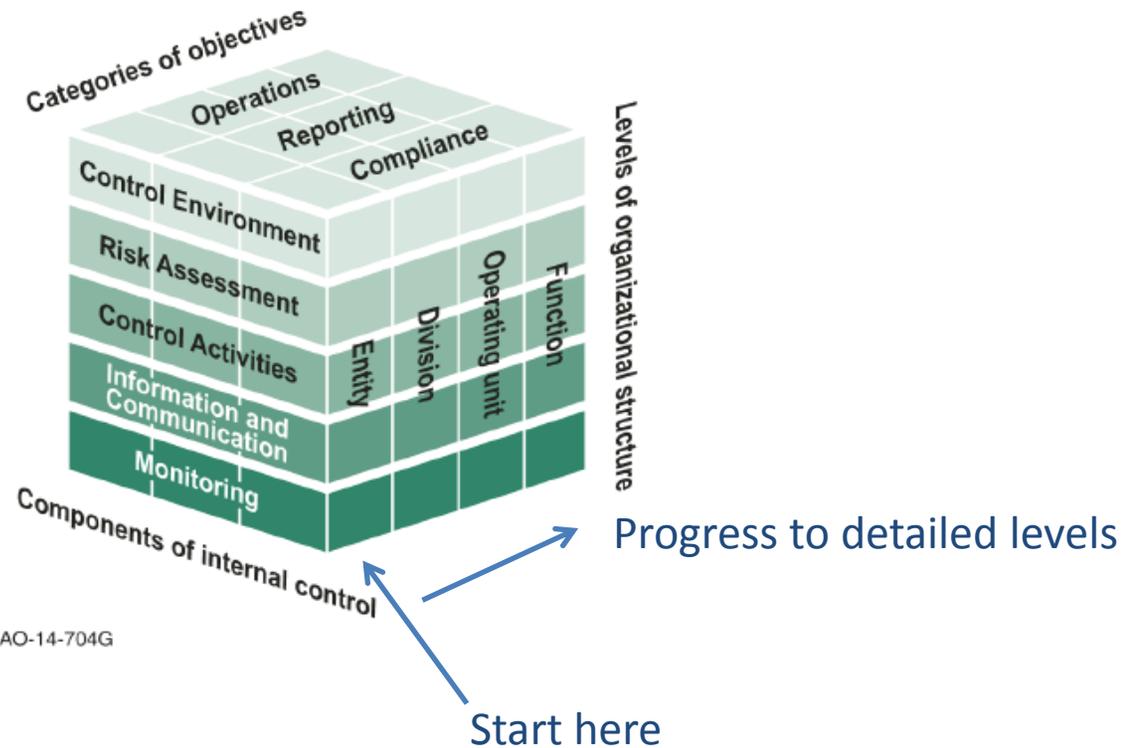
- ❑ **Documented risk assessment to meet SAAM 20?**
  
- ❑ **If Yes, has risk assessment been updated timely? Consider:**
  - ✓ Size of agency; nature and diversity of activities
  - ✓ Any changes in environment or changes internally indicating need for update?
  - ✓ Sufficient insight into high risk areas

*Advice: Combine with strategic planning and/or ERM processes. If applicable, synchronize with annual internal audit risk assessment (IPPF 2010, 2050, 2110 and 2120).*

## 2. Risk Assessment

*Advice: start with highest level and work down over time.*

*Large agencies: use annual updates of highest level to determine frequency of updates at lower levels.*

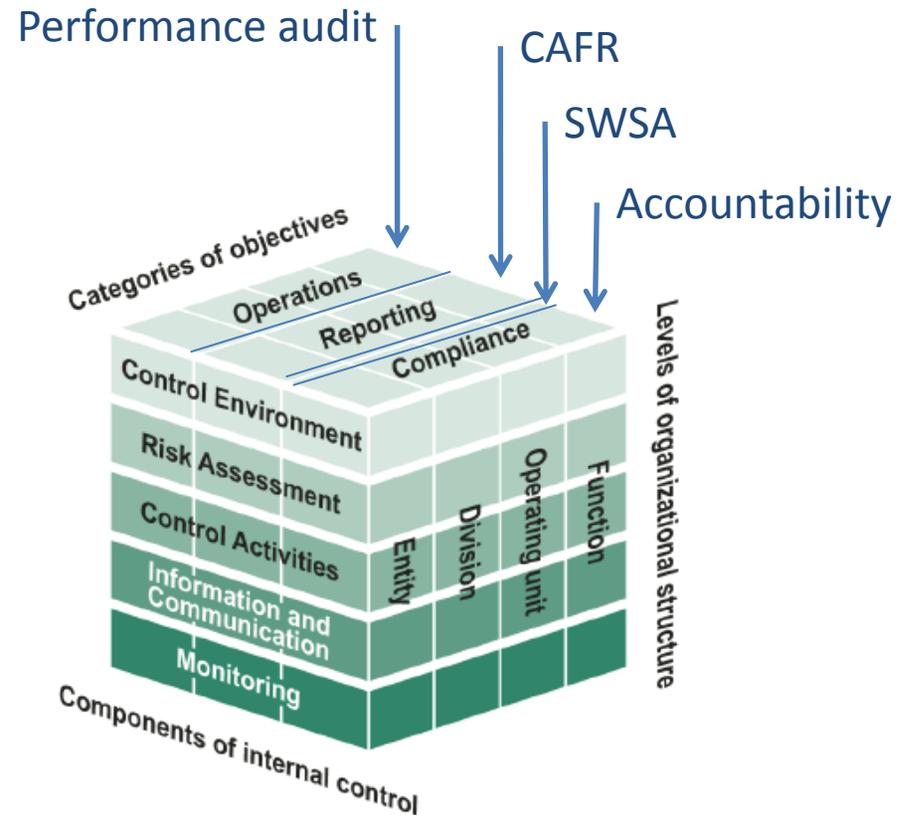


Sources: COSO and GAO. | GAO-14-704G

## 2. Risk Assessment

❑ **If Yes**, is risk assessment relevant to audit objective?

*Advice: develop separate or distinguishable plans by objective (IPPF 2120.A1).*



Sources: COSO and GAO. | GAO-14-704G

## 2. Risk Assessment

❑ **If Yes**, is risk assessment effective? Consider:

- ✓ Is risk assessment adequately documented and summarized to allow for review and analysis?
- ✓ Does risk assessment consider changes in environment (such as laws, grant requirements or vendor/service provider relationships) and changes internally (like software, program activities, organization and personnel)?
- ✓ Does risk assessment incorporate results of internal monitoring and external audit findings?
- ✓ Did agency generally appear to identify and reasonably assess risks?
- ✓ Are risk responses implemented or developed as recommendations?

*Note: auditors will compare agency's conclusions to their own assessment done for audit planning.*

## 3. Monitoring

**Documented internal control monitoring to meet SAAM 20?**

**If Yes**, has plan been sufficiently followed? Consider:

- ✓ Extent of coverage compared to assessed risk
- ✓ Actual vs planned coverage
- ✓ Coverage of high risk areas

**If Yes**, is planned monitoring relevant to audit objective?

*Advice: develop separate or distinguishable plans by objective (IPPF 2130.A1).*

## 3. Monitoring

❑ **If Yes**, does monitoring plan appear effective? Consider:

- ✓ Are plan and results sufficiently summarized to allow for analysis?
- ✓ Is plan aligned with most recent risk assessment?
- ✓ Does plan ensure high risk areas are reviewed adequately and timely?
- ✓ Does plan include sufficient testing of program change controls, user access controls and key edit checks, calculations or exception reports for significant systems as applicable?
- ✓ Are identified weaknesses or issues corrected or developed as corrective action plans or recommendations?

*Advice: If applicable, synchronize with annual internal audit work plan (IPPF 2010).*

## 4. Annual Summary of Results

- ❑ **Written annual assurance to agency head to meet SAAM 20?**
  
- ❑ **If Yes**, does annual reporting adequately summarize risk assessment and monitoring activity and results to inform agency management?  
We would expect this summary to include:
  - ✓ High / special risks identified from latest risk assessment and planned responses.
  - ✓ Summary of monitoring activity and results (showing extent of achievement of work plan)
  - ✓ List of recommendations / identified weaknesses and current status of responses or corrective action

*Advice: If applicable, synchronize with internal audit reporting (IPPF 2020 and 2060).*

## Effect on Audit

### What if one of these items is a “no”?

- If nothing: non-compliance with SAAM
- Higher overall risk
- May contribute to specific risks

*Note: audit recommendations are for “where you’re at”*

### How will auditors use agency risk assessment and monitoring?

1. Factor in determining overall risk and level of audit work needed
2. Identify areas of higher and lower risk
3. May be able to rely on internal audit work to reduce audit effort if AU-C 610 requirements are met

# Effect on Audit

## AGENCY'S PROGRESS

All elements and principles in place and working effectively together.



Compliance with SAAM 20

Recommendations:  
improve control  
effectiveness

Recommendations:  
Comply

## AUDIT PROGRESS

more valuable audit  
(clearly aligned to agency risks)

