



DISTRICT OF WEST KELOWNA

COUNCIL POLICY MANUAL

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Approval Date: 2010-August 10

DEPARTMENT:	FINANCE DEPARTMENT
SUBJECT:	Internal Audits

Purpose:

The Finance Department has created a risk assessment model to identify areas which pose the greatest risk and liability. Risk assessment is a process used to assign a number or score to potential audit areas based upon specific factors related to a function within a Division. The risk factors and scoring process will be reviewed and refined periodically as needed.

Policy:

In order to provide practical guidance and authoritative framework for the development of this assessment model and audit plan, the following principles will be utilized.

1. Consideration is given to unique situations and circumstances (special audits) which would supersede scheduled audits with higher risks scores.
2. The approach to developing an audit plan recognizes that audit resources of personnel and dollars are limited, which prohibits 100% audit coverage each year. This limiting factor is inherent in the concept of utilizing a risk assessment model.
3. The risk assessment criteria used in ranking of the audit places an emphasis on perceived or actual knowledge of the department's system.
4. The audit plan is developed with an understanding that there are inherent risks and limitations associated with any method or system of prioritized audits. The risk factors and scoring process will be periodically evaluated and modified in order to improve the audit plan
5. The risk assessment factors used in selecting audits are designed to include one or more of the following audits.
 - a. Operation Audits
 - b. Financial Audits
 - c. Compliance Audits
 - d. Information Systems Audits
 - e. Internal Control Reviews
 - f. Special Projects
 - g. Follow-up Audits

Risk Factors

The individual risk factors used to evaluate the potential audit areas have been selected and reviewed by the risk manager. Risk factors were selected on the basis of relevance with respect to the nature and objectives of the audits and the reporting environment in which the District operates. The ten risk factors are as follows:

- Compliance with bylaws and regulations. 10
- Budgeted Expenditures 9
- Financial exposure 8
- Liability exposure 7
- Potential public relation issue 6
- Number of Staff 5
- Public Exposure 4
- Complexity of Transactions 3
- Management Experience 2
- Time expired since last audit 1

Previous Revision/s: none