



# **GNV CITY COMMISSIONERS ENTERPRISE RISK ASSESSMENT TRAINING**

**Presented by The City of Gainesville City Auditor's Office**

**October 2020**



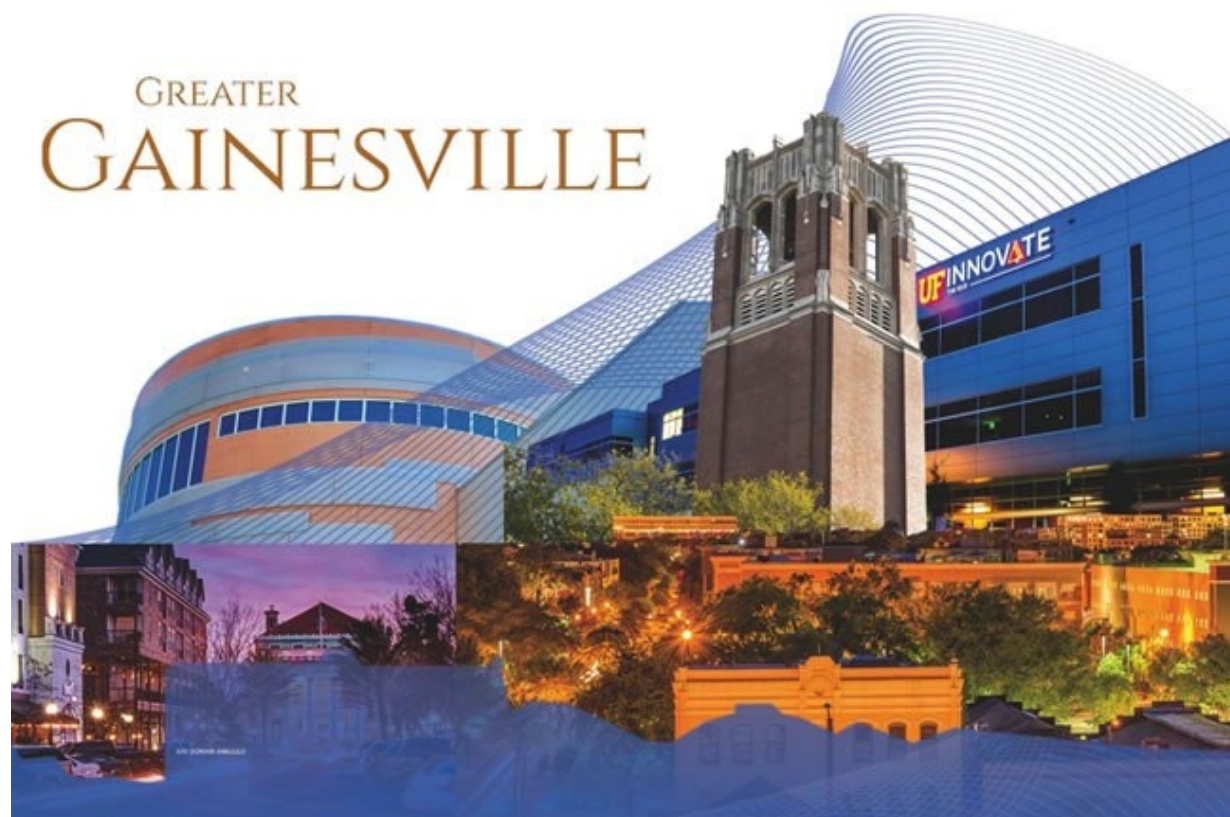
#### **GAINESVILLE CITY COMMISSION**

**Lauren Poe, Mayor \***  
**David Arreola, Mayor-Commissioner Pro Tem \***  
**Adrian Hayes-Santos**  
**Gail Johnson**  
**Reina Saco**  
**Gigi Simmons**  
**Harvey Ward**

**\*Audit & Finance Committee Member**

#### **INTERNAL AUDIT TEAM**

**Ginger Bigbie, CPA, CFE, City Auditor**  
**Eileen Marzak, CPA, CFE, Interim Assistant City Auditor**  
**Vincent Iovino, CISA, CRISC, IT Audit Manager**  
**Brecka Anderson, CIA, CFE, CGAP, Internal Audit Manager**  
**Gregory Robeson, CPA, CIA, CFE, Senior Internal Auditor**  
**Patrick Keegan, CISA, Senior IT Auditor**



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Source: <https://www.floridatrend.com/article/28213/greater-gainesville-is-transitioning>

# ENTERPRISE RISK MANAGEMENT TRAINING OUTLINE

1. INTRODUCTION



2. RISK CATEGORIES

3. THREE LINES MODEL



4. ENTERPRISE RISK MANAGEMENT

5. INTERNAL AUDIT  
ENTERPRISE RISK  
ASSESSMENT AND  
AUDIT PLAN



6. REVIEW AND NEXT STEPS

Risk Management is a process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

*-The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (The Red Book)*



# **1. INTRODUCTION**

# Introduction:

- Training Objectives
- Key Differences Between Internal Audit and External Audit
- Internal Auditing in the Public Sector
- Internal Auditing Professional Standards

# Training Objectives

Understand enterprise risk management concepts.

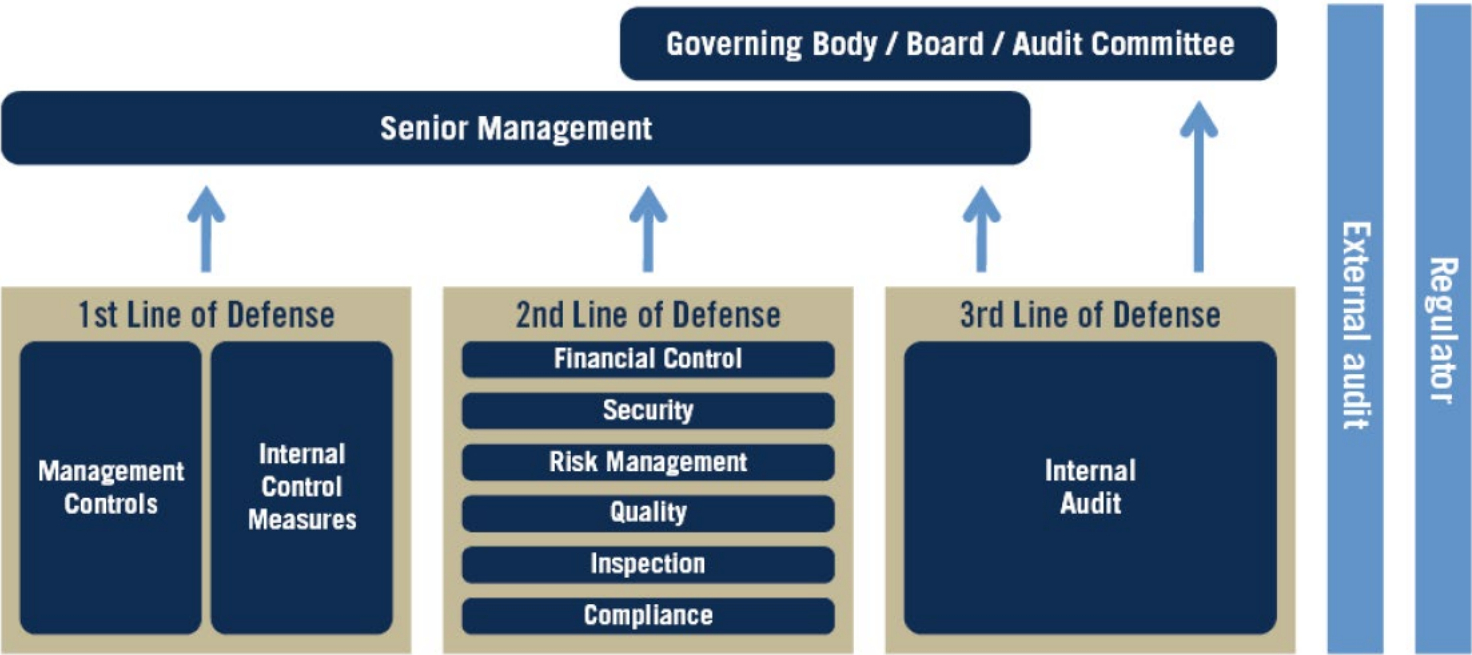
Understand the Internal Audit enterprise risk assessment process and selection of a risk-based audit plan.



# KEY DIFFERENCES BETWEEN INTERNAL AND EXTERNAL AUDIT

	Internal Audit	External Audit
Purpose	Analyze and improve controls and performance	Express an opinion on the financial condition
Scope	Organizational operations	Fiscal financial records
Skills	Interdisciplinary	Accounting, finance, tax
Timing	Present/future, ongoing	Past, point in time
Focus	Enhance and protect organizational value	Fair representation of financial statements
Employment Relationship	Organizational employee	Contracted third party

The Three Lines of Defense Model

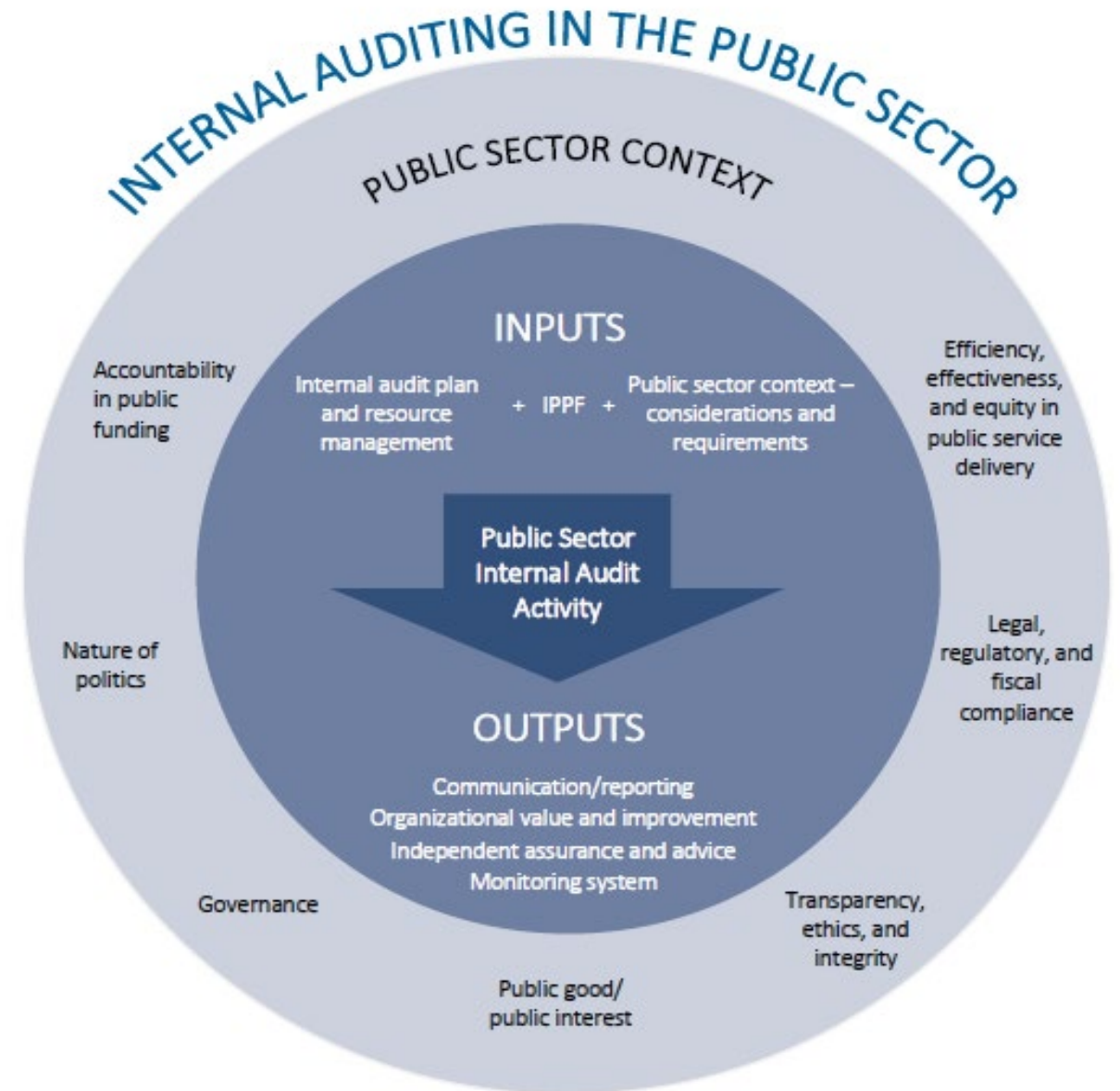


Source: <https://global.theiia.org/knowledge/Public%20Documents/GPI-Distinctive-Roles-in-Organizational-Governance.pdf>

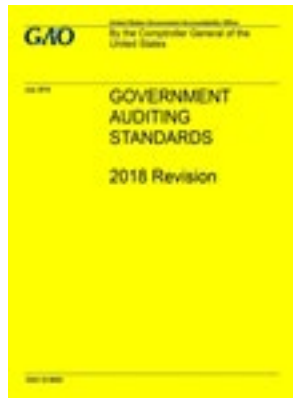


## Internal Auditing in the Public Sector

Internal auditing is the cornerstone of public sector governance by providing independent and objective services to help the City achieve intended results, accountability and integrity, improve operations, and instill confidence among neighbors and stakeholders.

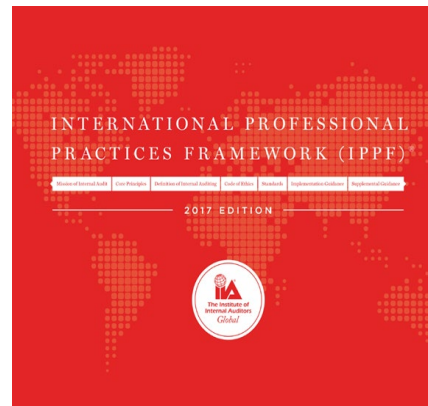


# Internal Auditing Professional Standards



## **Yellow Book**

GAO Generally  
Accepted  
Government Auditing  
Standards



## **Red Book**

Institute of Internal  
Auditors Professional  
Practices Framework



## **Association of Certified Fraud Examiners Manual**

Investigations Professional  
Standards



## **ISACA**

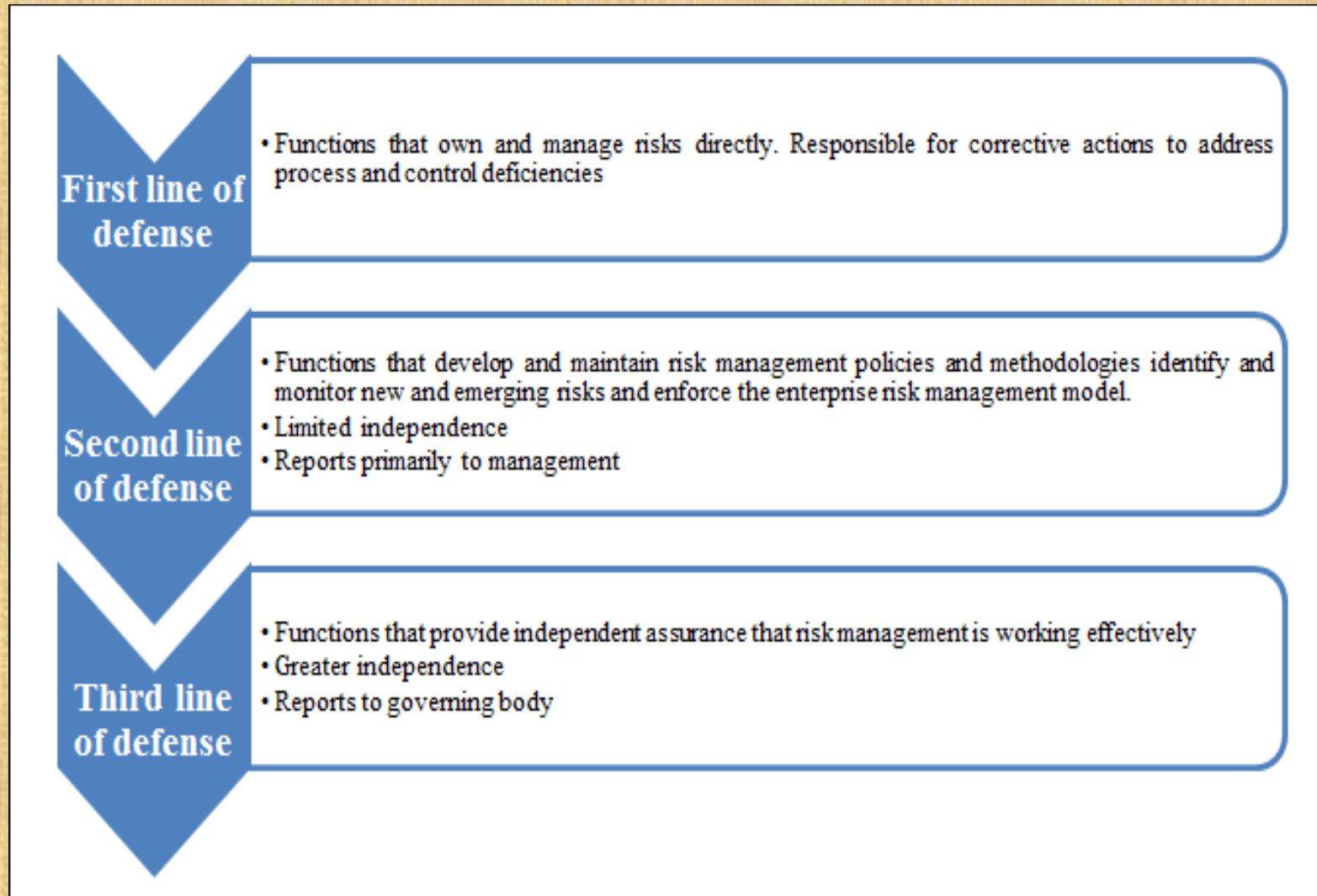
Provides information  
systems auditing  
guidance and  
credentialing

## **2. RISK CATEGORIES**

Organizational Risk Category	Risk Description
Financial Risk	Risk of loss due to inadequate or ineffective controls around tax, accounting, financial reporting, capital and debt management, investments, and other financial processes.
Fraud Risk	Risk of loss and other consequences due to misappropriation of assets, corruption, and financial statement fraud.
Information Technology Risk	Risks include privacy, security, cybersecurity, cloud computing, mobile device security and IoT, business continuity and disaster recover, software asset management,
Legal, Regulatory, Compliance Risk	Risk of noncompliance with policies, laws, regulations, and Code of Conduct
Operational Risk	Risk that City processes and services are not effective or efficient, or not in alignment with City goals and objectives; or human capital is not sufficient to meet operational or business continuity goals.
Environmental Risk	Risks of the City's contribution to climate change (carbon emissions, carbon footprint, environmental impact costs); natural resources (water stress, biodiversity and land use, raw material sourcing); pollution and waste (toxic emissions and waste, electronic waste); and risk of missed opportunities (clean tech, green building, renewable energy)
Public Safety Risk	Risk that communication policies, safety standards, physical security, emergency response training, routine security, and other related process and systems controls are not adequate to sufficiently mitigate safety risk for the public or employees.
Reputation Risk	Risk of loss of control, loss of confidential information, or productivity loss due to incidents, exposed or unforeseen public communications, including social media
Third Party Risk	Risk of loss with third parties that may include supply chain, contract compliance, and data security and privacy processes.
Strategic Risk	Risk that the City's strategic priorities are not achieved

# **3. THREE LINES MODEL**

## Activities across the three lines should align with no duplications or gaps



# **4. ENTERPRISE RISK MANAGEMENT**



# WHAT IS ENTERPRISE RISK MANAGEMENT AND WHO IS RESPONSIBLE?

The City's Mayor, Commissioners and Management are responsible for enterprise risk management.

Enterprise risk management helps leadership focus more on strategic priorities, and informs strategic planning and budget decisions.

## Functional level:

- Risk identification
- Risk assessment
- Risk mitigation and control
- Risk monitoring
- Risk reporting

# WHAT ROLE DOES INTERNAL AUDIT PLAY IN ENTERPRISE RISK MANAGEMENT?

## *Internal audit's core assurance roles*

- Provide assurance on the risk management process.
- Provide assurance that risks are correctly evaluated.
- Evaluate the reporting of key risks.
- Review the management of key risks (including testing controls).

## *Internal audit's roles with safeguards*

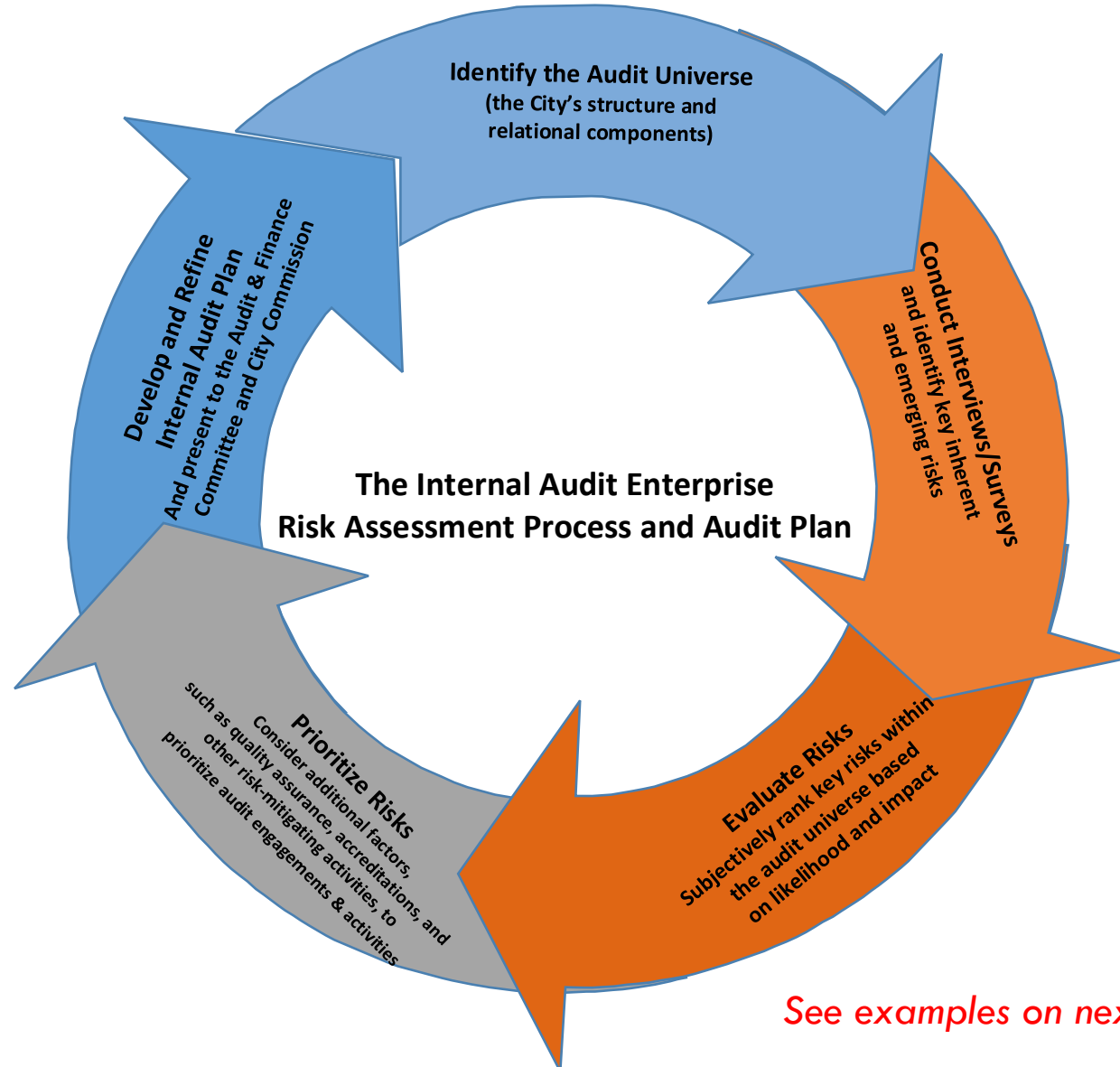
- Facilitate identification and evaluation of risks.
- Coach management in responding to risks.
- Coordinate ERM activities.
- Consolidate reporting on risk.
- Champion establishment of ERM.
- Develop risk-management strategy for board approval.

## *Roles internal audit should not undertake*

- Setting risk appetite.
- Imposing risk management processes.
- Providing management assurances on risk.
- Making decisions on risk responses.
- Implementing risk responses on management's behalf.
- Assuming accountability for risk management.

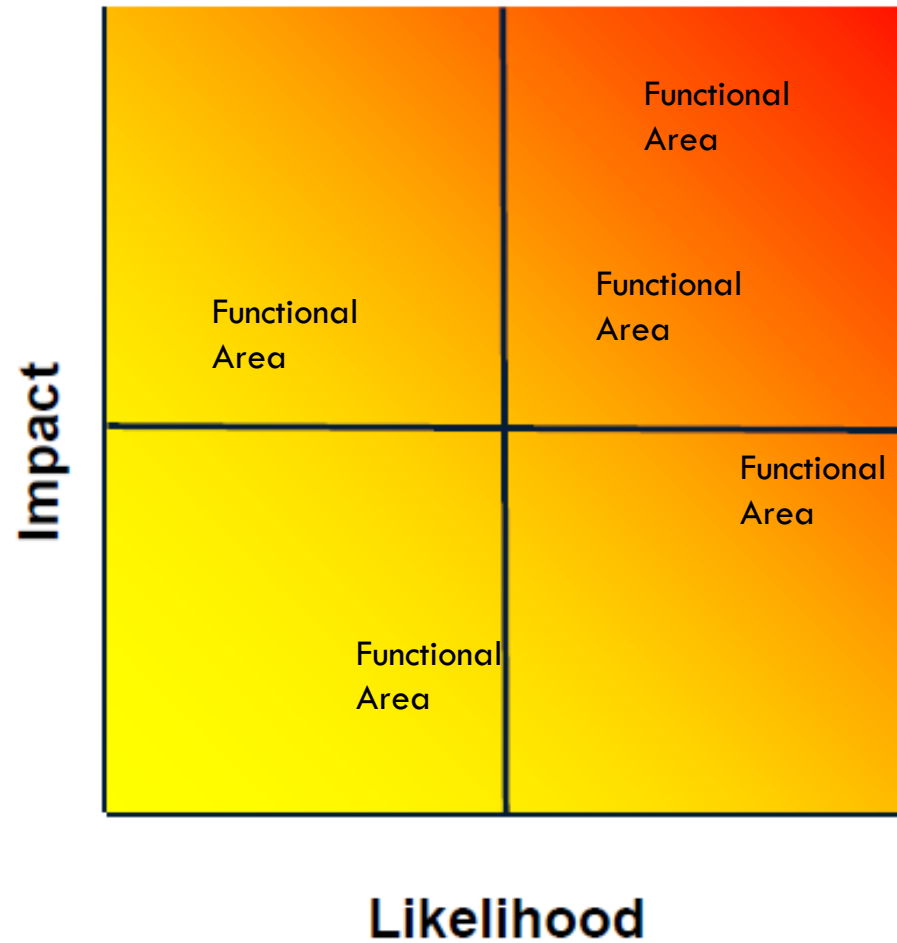
# **5. INTERNAL AUDIT ENTERPRISE RISK ASSESSMENT PROCESS AND AUDIT PLAN**

# INTERNAL AUDITORS AGGREGATE RISK INFORMATION THAT INCLUDES DISCUSSIONS WITH ELECTED OFFICIALS, CHARTER OFFICERS AND MANAGEMENT



*See examples on next three slides*

# INHERENT RISK RATINGS: JUDGMENTALLY ASSIGN RISK RATINGS OF HIGHER INHERENT RISKS OF ALL CITY SERVICES, FUNCTIONS OR ACTIVITIES



**PRIORITIZED RISKS: CONSIDER ADDITIONAL FACTORS, SUCH AS QUALITY ASSURANCE, ACCREDITATIONS, AND OTHER RISK-MITIGATING ACTIVITIES, TO PRIORITIZE AUDIT ENGAGEMENTS AND ACTIVITIES**

Risk	Impact	Likelihood	Factor A	Factor B	Priority
AAA	High	High	↑		1
BBB	High	Medium			3
CCC	Medium	High	↓		5
DDD	High	Low		↑	2
EEE	Medium	Medium	↑		4
FFF	Low	High			6
GGG	Medium	Low		↓	8
HHH	Low	Medium	↑		7
III	Low	Low		↓	9

# PROPOSED AUDIT PLAN: OBTAIN CITY COMMISSION APPROVAL OF PRIORITIZED ENGAGEMENTS WITH ESTIMATED RESOURCE NEEDS AND TIMING TO ADD TO AUDIT PLAN

## Sample Internal Audit Plan

Audit, Advisory, Attestation, Other Non-audit Services							
Planned Start Date	Audit Engagement Title	Primary Department	Audit Service Type	Engagement Objective	Total Budgeted Hours	Operational Auditors	IT Auditors
2021-Jan	BBB	GG Finance	Advisory	xx	500	400	100
2021-Feb	CCC	GRU	Audit	xx	800	500	300
2021-Mar	DDD	PRCA	Audit	xx	300	200	100
2021 Apr-Jun	EEE	Police	Audit	xx	600	200	400
2021 Jul-Sep	FFF	Citywide	Special Project	xx	500	250	250



# **6. TRAINING REVIEW AND NEXT STEPS**

# QUESTIONS?



# THANK YOU!

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[City Auditor's Office](#)

