

UNIVERSITY OF CALIFORNIA
FY 2007 RISK ASSESSMENT & AUDIT PLANNING GUIDELINES
ATTACHMENT F – Plan Narrative Guidelines

FY 2007 Plan Narrative and Assumptions

- 1. Available Hours—**
 - Describe the basis for the number of FTE's in the plan including any change from current year staffing levels, time frame for filling open positions, assumed turnover and impact on available hours, and any positions authorized but intentionally left open for necessary salary savings.
 - Separately describe the basis for any hours in the "Other Resources category; e.g. temporary assistance, interns, paid or unpaid overtime, or re-charge to another internal audit department (negative).

- 2. Indirect Hours—**
 - Describe any unusual variances from expected norms. For example, Non-Controllable time which is budgeted differently from leave permitted by H.R. policies, Professional Development different from guidelines, or Other reflecting the impact from an office relocation etc.
 - Comment on the manner in which Director's time is allocated to administration versus audit projects, especially if the overall indirect percentage is unusually high (greater than 20%) or low (less than 10%).

- 3. Audit Program—**
 - Comment on coverage of the Audit Universe and its high-risk components, using statistics from Attachment F1 (Schedule 4 Plan Statistics), as appropriate.
 - Comment also on the basis for the hours assumed in Supplemental Audits. **NB** - while Supplemental Audits are intended to acknowledge the dynamic nature of our environment--and also our on-going risk assessment--it is not intended to undermine our ability to audit highly ranked risks or mask accountability for our time.
 - Supplemental hours should be approximately **15%** of total audit program hours. Comment also on the extent of obligated time versus time freely available to assign by the Audit Director on a risk assessment basis.
 - Also – please include a brief narrative for each project (Planned New Audits and Planned Advisory Services) on the plan. As a way to help bridge the risk assessment results to the work that we perform, this narrative will address the factors that contributed to the score and will highlight the relevant risks. It will also indicate the preliminary scope of the reviews. A template (Schedule 3A) is provided as part of Attachment F1, however, you may elect to a separate narrative, such as one you've prepared for your respective audit committee.

- 4. Advisory Services—**
 - Note IPA (Information Practices Act) and COI (Conflict of Interest Coordination) activities would be reported here and are reflective of the roles assigned to UCSD and UCSC respectively. However, any location expecting to spend time on these matters (outside of project specific time that should be charged to the project) can budget and charge time here.

UNIVERSITY OF CALIFORNIA
FY 2007 RISK ASSESSMENT & AUDIT PLANNING GUIDELINES
ATTACHMENT F – Plan Narrative Guidelines

- Comment on material changes from historical patterns if any are projected.
 - Comment also if any projected change is a result of re-characterizing hours historically charged elsewhere or on any efforts to promote Advisory Services in your environment.
- 5. Investigations—**
- Comment on material changes from historical patterns if any are projected. If a basis other than historical patterns was used to estimate investigations comment on that basis.
- 6. Support Activities—**
- Quality Assurance may be used for local QA programs as well as the systemwide program. However, care should be taken to charge time only for formal QA program efforts such as post issuance report reviews, post completion checks for documentation and compliance with standards and local procedures.
 - It should not be used for any project specific time that belongs in the project and is not a substitute for supervision, secondary review or pre report issuance quality assurance measures.
 - Comment on the assumptions that drive significant hours in these categories and any variances from historical or “normal” commitments of time in these categories. Examples might include an increase in commitments to Quality Assurance teams, managers’ new assignments to systemwide workgroups and the like.
- 7. Total Direct Hours & Percent—**
- Comment on the overall allocation of Direct Hours and the commitment to an audit program aimed at providing basic audit coverage with principal audit emphasis on highly ranked risks.
 - Comment on the Direct Hour Percentage as a performance measure and the variance from a benchmark of 85%.
- 8. Time Phasing Assumptions—**
- Predictable variances from period to period should be accounted for in your spread of hours. For instance, the holiday hours are predictable based on the local holiday schedule. Other items, such as vacations, illness and other authorized time off are less predictable, but it may nevertheless be your assumption that they do not flow evenly by quarter.
 - It is suggested that you first estimate total available hours by period, then estimate non-controllable and controllable hours (for such things as scheduled CPE) to arrive at total hours available for direct audit activities before spreading the annual plan total for Planned Audits and other direct activities. Remember that it is not necessary to spread individual audits by quarter--time phasing is only requested at the Schedule 2 level, not Schedule 3 level.
 - Comment on significant assumptions made in spreading the annual plan by quarter.
- 9. Core Audit—**
- Comment on the coverage of core audit topics with a 3-year perspective (FY05 actual, FY06 plan, and current FY07 plan).

UNIVERSITY OF CALIFORNIA
FY 2007 RISK ASSESSMENT & AUDIT PLANNING GUIDELINES
ATTACHMENT F – Plan Narrative Guidelines

- Please identify any shortfalls of Core coverage and the proposed timeline for complete coverage. NB – Core coverage expectations include comprehensive coverage of the area creating a basis for assurance that key controls are present and functioning as designed to manage risk inherent in the activity.
- Core audit categories have been changed effective for FY07. Credit for core coverage will be earned when the Core Audit Programs are followed.

10. Other Matters—

- Comment on the biggest variables that will drive the ultimate determination of your ability to complete the annual plan. Such things may include significant contingencies that can't be predicted at this time; e.g. staffing contingencies, major external investigations on the horizon, DOE directives, Internal Audits role in a CSA program, and the like.
- Comment on the capacity to handle additional work; e.g. to what extent do you consider the plan to be a stretch goal or what level of contingency availability is built into the plan.
- Comment on any other matters that are relevant to understanding your Audit Plan.