UNIVERSITY OF TOLEDO INTERNAL AUDIT AND COMPLIANCE
SUMMARY OF THE ANNUAL RISK ASSESSMENT PROCESS

Executive Summary

The annual audit plan defines specific audit areas intended to be undertaken in the next year. An audit prioritization process consists of the following steps:

Step 1 - **Planning the Risk Assessment**: Perform research to identify audit universe.

Step 2 - **Conducting the Risk Assessment**: Obtain client risk factor information.

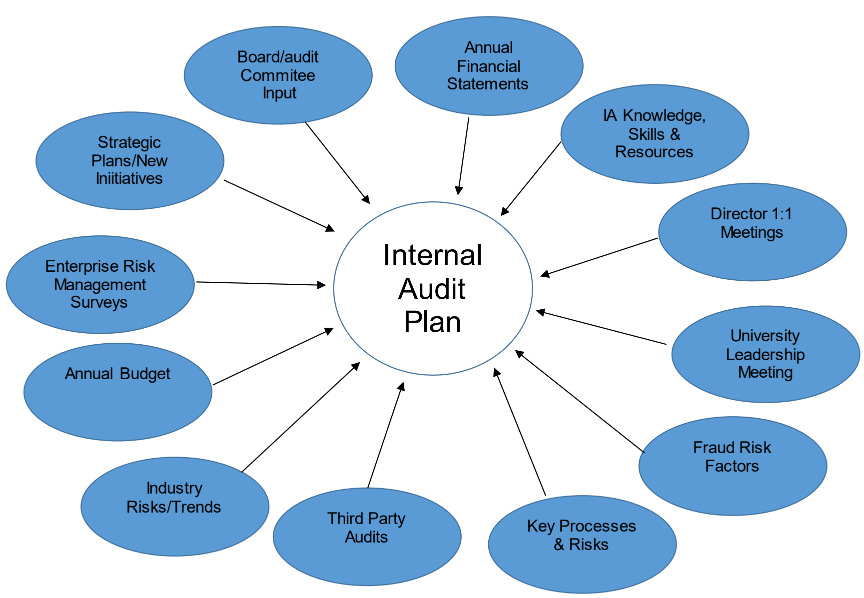
Step 3 – **Analyzing the Results/Providing Deliverables**: Assess based on audit universe and risk factors. Discuss audit plan priorities with University of Toledo Senior Management to obtain consensus. Obtain Finance and Audit Committee approval.

Step 1 – Planning the Risk Assessment

Planning the risk assessment is a research, information gathering, and scoping activity, which includes the following tasks:

- Understand industry trends/risks via discussions with industry and audit professionals, reading publications, attending relevant training
- Understand University of Toledo strategic objectives and new initiatives by reviewing the strategic plan, annual financial statements, quarterly operations reports, and annual budgets, extensively leveraging the insight of executive leadership, process owners, and the Board of Trustees
- Develop and update Internal Audit's risk assessment and audit planning methodology
- Use prior audit plan as starting point of auditable risk areas/audit universe

The following factors are considered when developing the audit universe and priorities for annual plan consideration:



Step 2 – Conducting the Risk Assessment

In prioritizing the risks identified, consideration is given to the likelihood of occurrence and consequence, or impact, in the event of occurrence. In weighting risk factors, IA utilizes risk factors from IIA guidance, historical knowledge of academic affairs, and internal auditing best practices. The overall goal of the risk scoring approach is to ensure that IA audits of high and moderate risk areas receive the largest concentration of audit effort over multiple years.

Once various risk factors are rated, they are weighted in order to arrive at a composite risk score for each area. The composite risk score is then used to determine areas to prioritize in the annual audit plan. Risk factors and assigned weighting are as follows:

Risk Factors	Weight	Description
A. Control Design and Effectiveness	20%	Assessed reliability of internal controls are important in judging the likelihood of errors in the system; consider known problems/prior audit results
B. Impact to Students, Patients, Stakeholders, Members of the Public, Reputation	20%	Impact to University of Toledo's constituents; management or other stakeholder concerns can influence the priority of an auditable area; consider reputational impact to University of Toledo by failure of a sensitive process
C. Changes in Organization, Programs, and Operations	15%	A dynamic change to systems/processes/people, increases probability of efficiencies as well as errors
D. Complexity of Activities, Operations, and/or Systems	15%	Degree of process complexity or perceived impact of IT controls
E. Dollar Materiality/Operational Impact	15%	Financial statement impact, relative importance, or sensitivity to ongoing operations
F. Impact of Fraud, Waste, or Data Loss	15%	Impact of illegal acts, wasteful spending, or sensitive data loss can result in a heightened consequence regardless of the dollar amount

Step 3 – Analyzing the Results / Providing Deliverables

After assessing risk-ratings against the audit universe, an evaluation of third-party assurance activities is conducted to maximize audit coordination efforts and coverage.