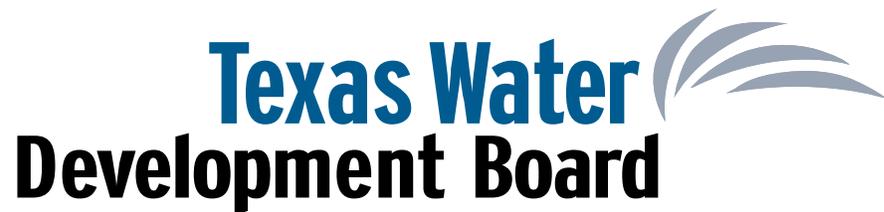


**AUDIT PLAN FOR FY 2014**  
**TEXAS WATER DEVELOPMENT BOARD**



**Submitted by**

**INTERNAL AUDIT**

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# **The Texas Water Development Board FY 2014 Audit Plan**

## **Introduction**

The purpose of the Audit Plan is to outline audits and other activities Internal Audit proposes to conduct during fiscal year 2014. The plan is developed to satisfy responsibilities established by the TWDB's Internal Audit Charter, Section 2102.008 of the Government Code and other applicable auditing standards, including International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA). The Audit Director, with approval from the Board Chair, is authorized to make changes to the plan to address changes in identified risks. However, significant revisions to the Audit Plan require the approval of the Board.

Internal Audit is an independent, objective assurance and consulting function designed to add value to the operations of the TWDB. It assists the TWDB in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes through providing objective reports, recommendations, counsel, and information on the adequacy and effectiveness of the TWDB's system of internal controls and the quality of performance. The plan demonstrates the variety of approaches Internal Audit takes to address its mission.

## **THE RISK ASSESSMENT PROCESS & PROPOSED AUDITS**

### **The Risk Assessment Process**

Audits included in this Plan were primarily identified through a risk assessment process, in collaboration with Board members, the Executive Administrator, Deputy Executive Administrators, Division Managers, and staff. Risk assessment is a systematic process for assessing and integrating professional judgments about probable adverse conditions and events. The IIA defines risk as "the possibility of an event occurring that will have an impact on the achievement of objectives." The audit planning process considered both the impact and likelihood of such events occurring. The TWDB's auditable activities include both organizational units and Agency-wide processes, each of which was risk-ranked using specific elements including relative size of the unit, potential impact on operations, regulatory compliance, public exposure, work complexity, audit history, and other factors deemed relevant by Internal Audit and Executive Management.

### **Proposed Audits**

Units and processes which were risk-ranked "high" were selected as audit projects. The specific scope of each audit in the plan will be determined once the audit team has completed its audit planning process. The audit planning process includes consideration of the risk management, control, and governance processes that provide reasonable assurance that:

- Risks are appropriately identified and managed.
- Information is accurate, reliable, and timely.
- Employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Operations are efficient and effective.
- Resources are acquired economically, used efficiently, and adequately protected.

- Accountability systems are in place to make sure organizational and program missions, goals, plans, and objectives are achieved.

The result of the risk assessment is an informed perspective on the current risk environment, including a prioritization of risks. The proposed audit list was determined to ensure that the risks identified in the annual risk assessment are adequately covered within a “reasonable time frame,” as required by the Government Code, Chapter 2102.005. To meet this “reasonable timeframe requirement,” this audit plan is part of a strategic plan to review all core processes every 4-years.

Chapter 2102.005 of the Government Code requires an agency’s governing board to “periodically review the resources dedicated to the internal audit program and determine if adequate resources exist to ensure that risk identified in the annual risk assessment are adequately covered within a reasonable time frame.”

A. Proposed audits for fiscal year 2014 are listed below:

- (i) Review of Debt & Portfolio Management
- (ii) Review of Loan Recipient Monitoring
- (iii) Review of Financial Assistance – Closing Process
- (iv) Review of the Economically Distressed Areas Program (EDAP)
- (v) Review of Compliance with the Public Funds Investment Act (PFIA)

B. Carryover Audits:

The following audits in progress at the end of fiscal year 2013 are expected to be carried over to fiscal year 2014.

- (i) Review of Revenue Management
- (ii) Review of Research & Planning Fund

## OTHER PROPOSED INTERNAL AUDIT ACTIVITIES

### **Follow-up on Management Implementation of Prior Audits**

IIA professional standards require Internal Audit to follow-up on audit recommendations to ensure implementation. Internal Audit reports on the status of implementation of management action plans from both internal and external audit reports on a semi-annual basis. In addition, Internal Audit provides an update on the status of audit recommendations in its Annual Report that is distributed to the State Auditor’s Office (SAO); Governor’s Office of Budget, Planning, and Policy; Legislative Budget Board, and Sunset Advisory Commission.

### **Consulting Services and Contingencies**

The internal auditing profession considers consulting and advisory services to management an integral part of its mission. Internal Audit provides advice and suggestions on management issues, concerns, and draft policies and procedures. In addition, to ensure Internal Audit has the flexibility to meet changing needs of the TWDB and address high priority issues as they arise, time is allocated for unplanned special projects, investigations, and other projects as needed.

## **Annual Internal Audit Report**

The Texas Internal Auditing Act requires state agencies to file an annual internal audit report by November 1. The report summarizes Internal Audit activities of the previous year.

## **Coordination with External Audit Groups**

Internal Audit coordinates the audit activities of external groups, including the SAO.

## **Periodic Reporting to the Board and Executive Management**

The Director of Internal Audit reports on status of audit activities to the Board and executive management on a quarterly basis. In addition, Internal Audit provides consultative information to the TWDB Executive Administrator, management, and staff.

## **Involvement with Professional Organizations**

In an effort to keep abreast of changes in the internal audit profession and best practices in auditing, fraud, state government and information security management issues, Internal Audit actively participates in professional auditing organizations including:

- Institute of Internal Auditors (IIA);
- Texas State Agency Internal Audit Forum (SAIAF);
- Association of Certified Fraud Examiners (ACFE); and,
- Information Systems Audit and Control Association (ISACA).