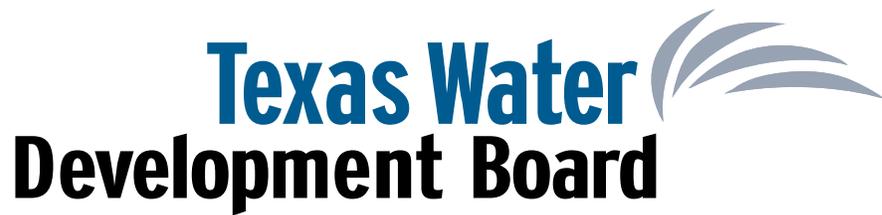


**AUDIT PLAN FOR FY 2015**  
**TEXAS WATER DEVELOPMENT BOARD**



**Submitted by**

**INTERNAL AUDIT**

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**The Texas Water Development Board  
FY 2015 Audit Plan**

**Introduction**

The purpose of the Audit Plan is to outline audits and other activities Internal Audit proposes to conduct during fiscal year 2015. 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).

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, Executive Administrator, Deputy Executive Administrators, and Division Directors. Risk assessment is a systematic process for assessing and integrating professional judgments about potential 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 organizational units, programs, and agency-wide processes. Each of these was risk-ranked using specific elements including relative magnitude, potential impact on operations, public interest, regulatory requirements, work complexity, audit history, and the internal control environment.

**Proposed Audits**

The result of the annual 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, Section 2102.006.

Proposed audits for fiscal year 2015 are:

- (i) Review of Financial Reporting
- (ii) Review of the Clean Water State Revolving Fund (CWSRF)
- (iii) Review of the Flood Mitigation Assistance Program
- (iv) Review of Contract Management (Reserve Project)

The audit, Review of Contract Management, serves as a reserve project. It will be performed in the event that the hours put aside for contingencies i.e. fraud, waste and abuse investigations and special projects are not fully expended.

The specific scope of each audit in the plan will be determined, in collaboration with the relevant Board Contact, as part of the preliminary audit planning process. This is followed by an audit planning process which 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.

## 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); the Governor's Office; the Legislative Budget Board; and the Sunset Advisory Commission.

### **Consulting Services and Contingencies**

The internal auditing profession considers consulting/advisory services to the Board and 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 State Auditor's Office.

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

The Director of Internal Audit reports on the 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).

Presented and approved on August 7, 2014