Texas Water Development Board

P.O. Box 13231, 1700 N. Congress Ave.
Austin, TX 78711-3231, www.twdb.texas.gov
Phone (512) 463-7847, Fax (512) 475-2053

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Todd Chenoweth, General Counsel

FROM: Nicky Carter, Senior Auditor, Internal Audit Division
Nicole Campbell, Director, Internal Audit Division

DATE: July 27, 2018

SUBJECT: Fiscal Year 2019 Audit Plan

ACTION REQUESTED

Consider approving the Internal Audit Division's Fiscal Year 2019 Audit Plan.

BACKGROUND

The Texas Internal Auditing Act (Texas Government Code, Chapter 2102) and the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors require the development of an annual audit plan based on a systematic assessment of risk for the agency. The Texas Internal Auditing Act also requires that the annual audit plan be presented to the Board for review and approval. In accordance with these requirements, the attached document provides the audit plan for the Texas Water Development Board and establishes the framework for the audit activities to be performed during fiscal year 2019.

AUDIT PLAN

A risk-based methodology was used to prioritize audit coverage for fiscal year 2019. Agency operations were analyzed based on multiple risk factors. Input from the Board, Executive Administration, and other key staff regarding high risk areas was also incorporated into this analysis.

The fiscal year 2019 audit plan has allocated resources to complete risk-based and statutorily required audits, follow-up on prior audits, and consulting and non-audit services. Administrative responsibilities and requirements, as well as other audit activities anticipated for fiscal year 2019, were also included in the plan.

Our Mission

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas

Board Members

Peter Lake, Chairman | Kathleen Jackson, Board Member | Brooke T. Paup, Board Member

Jeff Walker, Executive Administrator

Attachment(s):

1 – Fiscal Year 2019 Audit Plan

Texas Water Development Board

AUDIT PLAN FOR FY 2019

Internal Audit Division
Project #2019.02
August 2018

Introduction

Professional and Statutory Requirements

The Texas Internal Auditing Act (Texas Government Code, Chapter 2102) and the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors require the development of an annual audit plan based on a systematic assessment of risk for the agency. The Texas Internal Auditing Act also requires that the annual audit plan be presented to the Board for review and approval. In accordance with these requirements, this document provides the audit plan for the Texas Water Development Board (TWDB) and establishes the framework for the audit activities to be performed during fiscal year 2019.

Role of Internal Audit

The Internal Audit Division is independent of management and provides objective assurance and consulting services designed to add value and improve the operations of the TWDB. The Division assists the TWDB in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate, and improve the effectiveness of, the organization's governance, risk management, and internal control.

Risk Assessment

A risk-based methodology was used to prioritize audit coverage for fiscal year 2019. Agency operations were analyzed based on multiple risk factors, including:

- Financial Activity
- Grant and Contract Management
- Legislative Interest
- Changes in Staffing and Organizational Structure
- Information Systems and Technology
- Operational Complexity
- Strength of Internal Controls
- Prior Audit Coverage
- Potential for Fraud

Input from the Board members, Executive Administration, and other key staff regarding high risk areas was also incorporated into the analysis. This information was then used to determine the likelihood and impact of select risk factors, and an overall risk score was calculated for each auditable activity.

Fiscal Year 2019 Audit Plan

The fiscal year 2019 audit plan was designed to ensure timely reviews of the highest overall risk ranked areas and includes coverage of both organizational units and agency-wide processes. Development of the plan was consistent with the agency's strategic objectives and goals, and internal audit resources were allocated commensurately.

The proposed audit plan includes risk-based and statutorily required audits, follow-up on prior audits, and consulting and non-audit services. Risk-based audits not completed in fiscal year 2018 were carried forward to the fiscal year 2019 audit plan based on the results of a reassessment of risk in the related areas. In addition, administrative responsibilities and requirements, as well as other audit activities anticipated for fiscal year 2019, were also included in the plan.

Risk-based and Required Audits
Review of the Contract Management Process
Review of the Purchasing Process
Review of the Quarterly Investment Reports
Follow-up on Prior Audits
Assess the implementation status of corrective actions taken in response to prior internal and external audit findings and recommendations.
Consultations and Non-Audit Services
Special projects and unanticipated evaluations or analysis requested by the Board and management.
Investigative Reviews
Administer the agency's fraud hotline and review allegations of fraud, waste, and abuse received through the hotline and referred by the State Auditor's Office.
Administrative Audit Activities
External Audit Coordination
Technical Assistance
Risk Assessment and Annual Audit Plan
Peer Review, Self-Assessment, and Updates of Policies and Procedures
Internal Audit Annual Report
Periodic Reporting to Board and Executive Administration

The specific scope and objectives of each audit project will be determined as part of the preliminary audit planning process, which consists of a more detailed risk assessment of the related area and activity. In addition, each audit will consider tests of select general and application controls based on business risk, in accordance with state and agency information security standards.

Although the audit plan consists of a wide-range of audit projects and activities, it does not provide coverage for all Divisions, programs, or processes. This audit plan attempts to maximize internal audit resources by providing reasonable coverage of agency operations that warrant the Division's attention in the current environment, while allowing the flexibility to address other risk areas that may occur throughout the year.

Significant Interim Changes

The audit plan will be reviewed and adjusted, as necessary, in response to changes in audit resources, or agency risks, operations, programs, systems, and controls. Additional projects may be conducted, and subsequently, some of the projects included in the plan may not be performed. The impact of any resource limitations will be communicated, as needed, and changes to the approved audit plan that are deemed to be significant will be presented to Executive Administration and the Board for approval.