

TO: Board Members
FROM: Nicole Campbell, Director of Internal Audit
DATE: September 22, 2015
SUBJECT: FY 2016 Internal Audit Plan

ACTION REQUESTED

Internal Audit requests approval of the Audit Plan for Fiscal Year 2016, as attached.

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.

RISK ASSESSMENT

A risk-based methodology was used to prioritize audit coverage for fiscal year 2016, and ensure timely reviews of the highest risk areas. 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 considered and incorporated into this analysis.

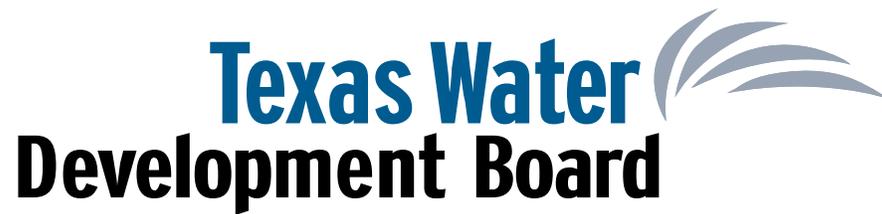
AUDIT PLAN

The proposed audit plan includes one statutorily required compliance audit, two risk-based audits, and one carryover audit from the fiscal year 2015 audit plan. Certain administrative responsibilities and requirements, as well as other audit activities anticipated for fiscal year 2016, were also included in the plan.

Attachment

cc: Kevin Patteson

AUDIT PLAN FOR FY 2016
TEXAS WATER DEVELOPMENT BOARD



Submitted by:

INTERNAL AUDIT

Nicole Campbell, CIA, CISA
Nicky Carter, CICA
Yania Munro, CGAP

TABLE OF CONTENTS

I. INTRODUCTION1

II. RISK ASSESSMENT.....1

III. PROPOSED FISCAL YEAR 2016 AUDIT PLAN2

IV. SIGNIFICANT INTERIM CHANGES3

I. INTRODUCTION

Authority

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 proposed audit plan establishes the framework for the audit activities to be performed by the Internal Audit Division during fiscal year 2016.

Internal Audit

Internal Audit is an independent, objective assurance and consulting function designed to add value and improve the TWDB's operations. Internal Audit assists the agency in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

II. RISK ASSESSMENT

A risk-based methodology was used to prioritize audit coverage for fiscal year 2016, and ensure timely reviews of the highest risk areas. Agency operations were analyzed based on multiple risk factors, including: financial activity, grant and contract management, legislative interest, changes in staffing and/or organizational structure, impact of information systems, operational complexity, internal controls, prior audits, and 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.

III. PROPOSED FISCAL YEAR 2016 AUDIT PLAN

The fiscal year 2016 audit plan was designed to address the highest overall risk ranked areas, and includes coverage of both organizational units and agency-wide processes. Each audit will consider tests of select general and application controls in accordance with state and agency information security standards. In addition, administrative responsibilities and requirements, as well as other audit activities anticipated for fiscal year 2016, were also included in the plan below.

Risk-based and Statutorily Required Audits
Review of Compliance with Public Funds Investment Act
Review of Loan Collections and Debt Service Payments
Review of the Accounts Payable Process
Carryover from FY2015
Review of the Clean Water State Revolving Fund
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 management.
Investigations
Administer the agency's fraud hotline and investigate 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
Self-Assessment and Updates of Policies and Procedures, Charter, Templates
Internal Audit Annual Report
Periodic Reporting to Board and Executive Administration

Although the proposed audit plan consists of a wide-range of audit projects, it does not provide coverage for all divisions, processes, or activities. This audit plan attempts to maximize limited 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.

IV. SIGNIFICANT INTERIM CHANGES

This audit plan may be adjusted to reflect changes in agency risks or operating environments that may occur throughout the year. Additional projects may be conducted, and subsequently, some of the projects included in this plan may not be performed. Significant adjustments to the approved audit plan will be presented to the Board for review and approval.