



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

AGENDA ITEM MEMO

BOARD MEETING DATE: October 17, 2024

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel

FROM: Nicole Campbell, Internal Audit Director

SUBJECT: Fiscal Year 2025 Internal Audit Plan

ACTION REQUESTED

Consider approving Internal Audit's Fiscal Year 2025 Audit Plan.

BACKGROUND

The 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 2025.

KEY ISSUES

A risk-based methodology was used to prioritize audit coverage for fiscal year 2025. Agency operations were analyzed based on multiple risk factors. Input from Board members, Executive Administration, Deputy Executive Administrators, Assistant Deputy Executive Administrators, and other key staff regarding high-risk areas was also incorporated into the analysis.

The fiscal year 2025 audit plan allocates hours to risk-based and statutorily required audits, follow-up on prior audits, consultations, and non-audit services. Risk-based audits in progress at fiscal year-end were carried forward to the fiscal year 2025 plan for completion,

Our Mission

Leading the state's efforts
in ensuring a secure
water future for Texas

Board Members

Brooke T. Paup, Chairwoman | L'Oreal Stepney, P.E., Board Member | Tonya R. Miller, Board Member
Bryan McMath, Executive Administrator

and risk-based audits not yet initiated at fiscal year-end were carried forward based on a reassessment of risk in related areas. Administrative responsibilities and requirements, as well as other audit activities anticipated for fiscal year 2025, were also included in the plan.

Attachment(s):

1. Fiscal Year 2025 Internal Audit Plan



AUDIT PLAN FOR FISCAL YEAR 2025

Internal Audit Division
Project #2025.02
October 2024

Introduction

Professional and Statutory Requirements

The Texas Internal Auditing Act (Texas Government Code, Chapter 2102) and 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 Texas Water Development Board (TWDB) and establishes the framework for audit activities to be performed during fiscal year 2025.

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 controls.

Risk Assessment

A risk-based methodology was used to prioritize coverage for fiscal year 2025. 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 Board members, Executive Administration, Deputy Executive Administrators, Assistant Deputy Executive Administrators, 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 2025 Audit Plan

The fiscal year 2025 audit plan was designed to ensure timely reviews of the highest overall risk ranked areas and includes coverage of organizational units and agency-wide processes. Development of the audit plan was consistent with the agency's strategic objectives and goals, and internal audit resources were allocated commensurately.

The audit plan allocates hours to risk-based and statutorily required audits, follow-up on prior audits, consultations, and non-audit services. Risk-based audits in progress at fiscal year-end were carried forward to the fiscal year 2025 plan for completion, and risk-based audits not yet initiated at fiscal year-end were carried forward based on a reassessment of risk in the related areas. Administrative responsibilities and requirements, as well as other audit activities anticipated for fiscal year 2025, were also included in the plan.

Risk-based & Required Audits
Review of Quarterly Investment Reports
Review of RWPD's ¹ Application Review Process
Review of Flood Infrastructure Fund's Category 1 Projects
In Progress & Carry-forward Audits
Review of Select Budget Processes
Follow-up Audit of the Review of State-Funded Grant Agreements & Contracts
Review of Select Hiring, Recruitment, & Retention Processes
Review of Select Cybersecurity Processes Phase III
Review of the University of Texas at Arlington Contract for Engineering Related Services
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 & Non-Audit Services
Perform 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
TeamMate+ Migration
Self-Assessment, External Peer Review
Risk Assessment & Annual Audit Plan
Internal Audit Annual Report

¹ Regional Water Project Development

In the event that hours allocated towards the above projects are not fully expended, or agency priorities change, alternative contingency projects will be performed.

The specific scope and objectives of each 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, tests of select general and application controls based on business risk, in accordance with state and agency information security standards, will be considered for each audit.

Although the audit plan consists of a wide range of audit projects and activities, it does not provide coverage for all Divisions, programs, and/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 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 deemed to be significant will be presented to the Board and Executive Administration for approval.