

2013/14 Business Plan



Office of the General Auditor

Audit & Ethics Committee
June 10, 2013

Audit Department

Mission

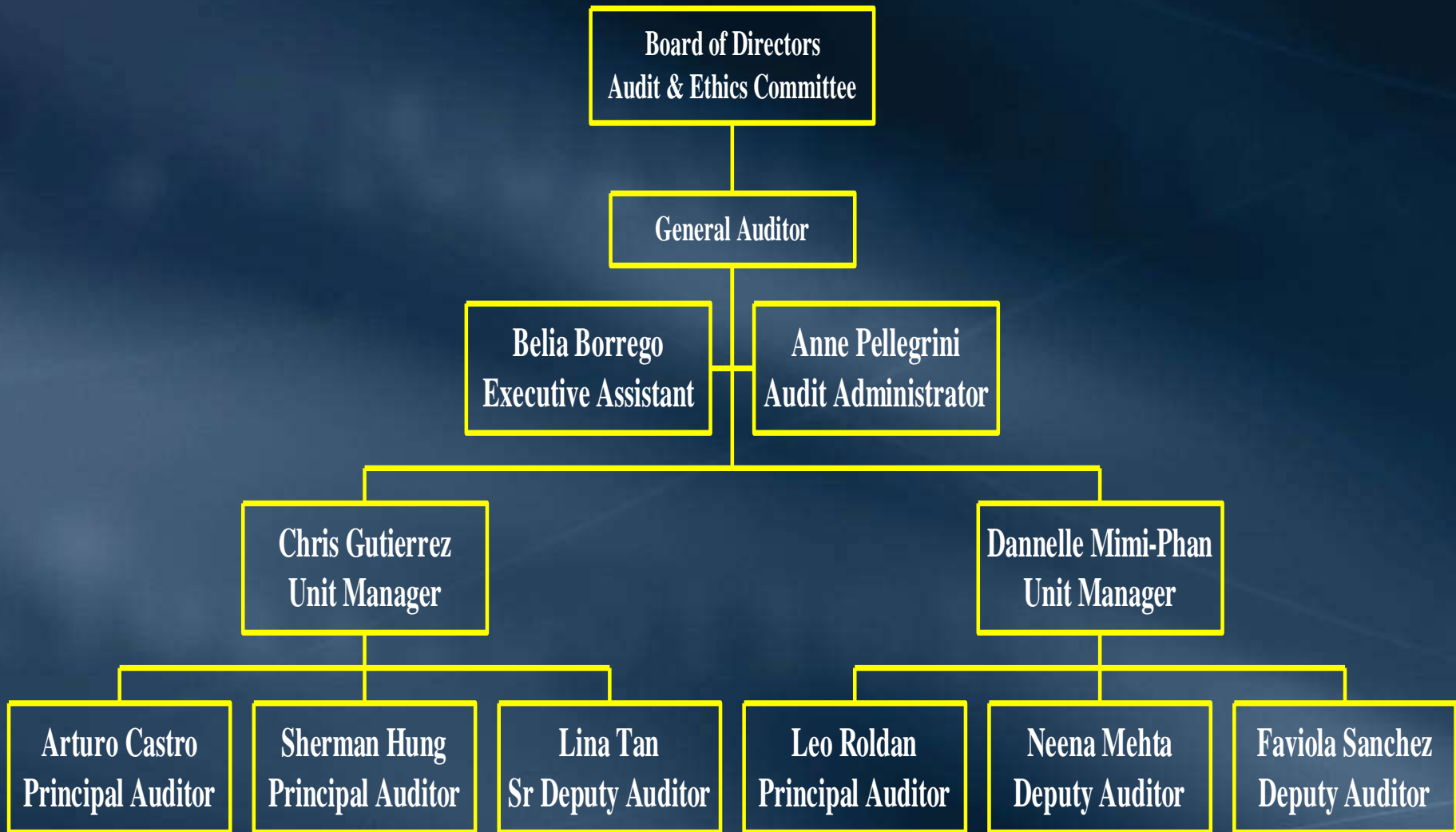


“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

The Institute of Internal Auditors (IIA)

***International Standards for the Professional Practice of Internal Auditing
and the profession's Code of Ethics***

Organization Chart



Audit Department

2013/14 Objectives



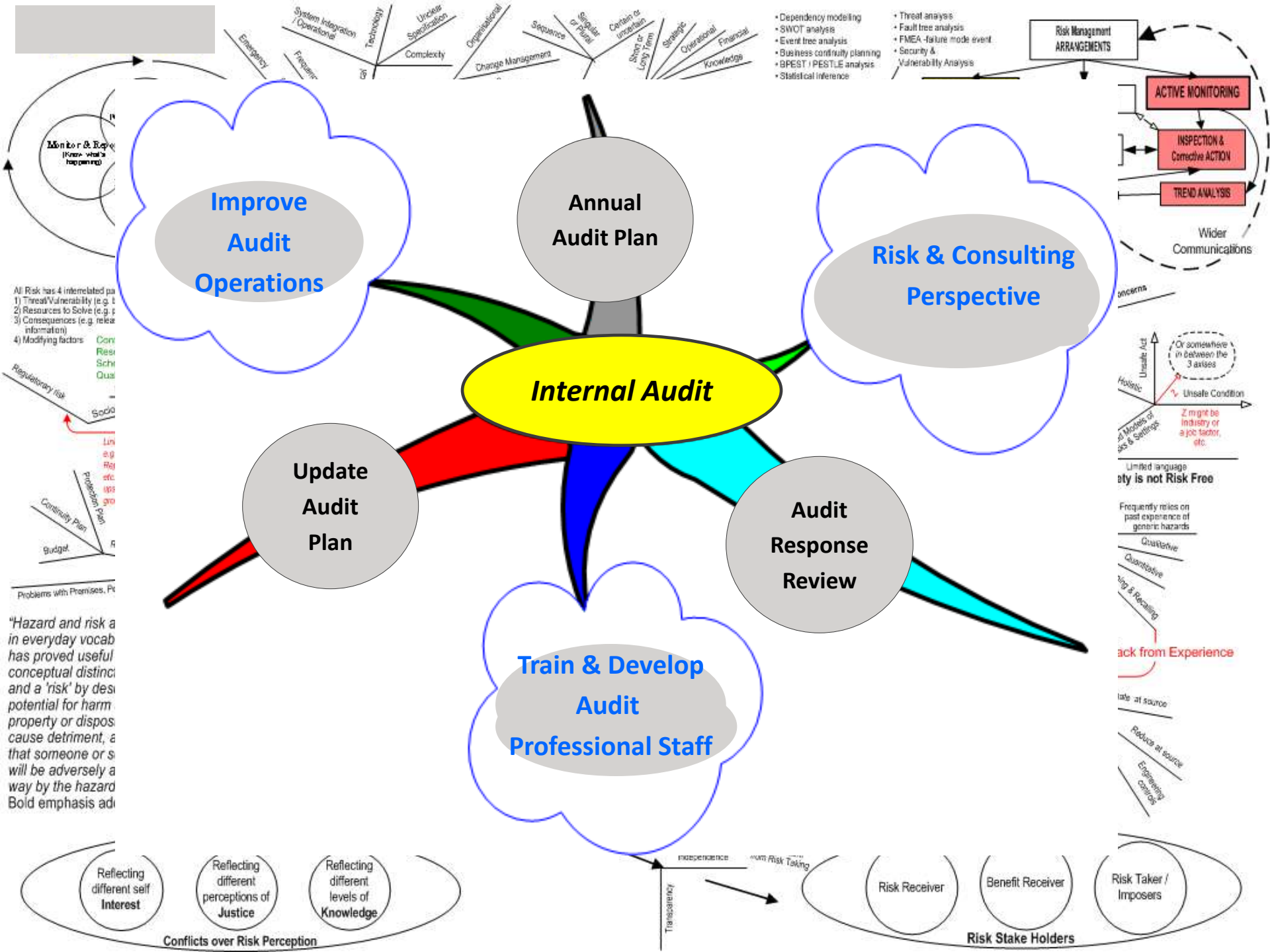
- **Provide risk perspective and auditing advice/counsel to the Board and management** in operational and financial activities.
- Effective **risk-focused audit reports** designed to clearly communicate the auditor's opinion regarding the internal control structure, significant control issues, and recommendations to mitigate noted risks.
- **Improve the completion time for audits** and evaluate the adequacy and timeliness of management's responses to, and corrective action taken on, all significant control issues noted in audit reports.
- **Emphasize test work of significant projects.**

Audit Department

2013/14 Objectives (continued)



- Identify training **opportunities for audit staff to enhance risk assessment techniques** and broaden knowledge of Metropolitan operations. Utilize this knowledge to fine-tune the Annual Audit Risk Assessment and Audit Plan.
- Encourage **professional certifications** and reinforce core competencies by **supporting continuing education**.
- **Promote diversity** and foster a broad range of perspectives.
- Efficiently **manage the department's budget for maximum effectiveness** of stated budgetary objectives.
- **Uphold the mission, roles, and responsibilities of the Audit Department.**



Determine Audit Universe



Source:

**Board of
Directors**

Management

KPMG

**Prior
Audits**

**Audit
Staff**

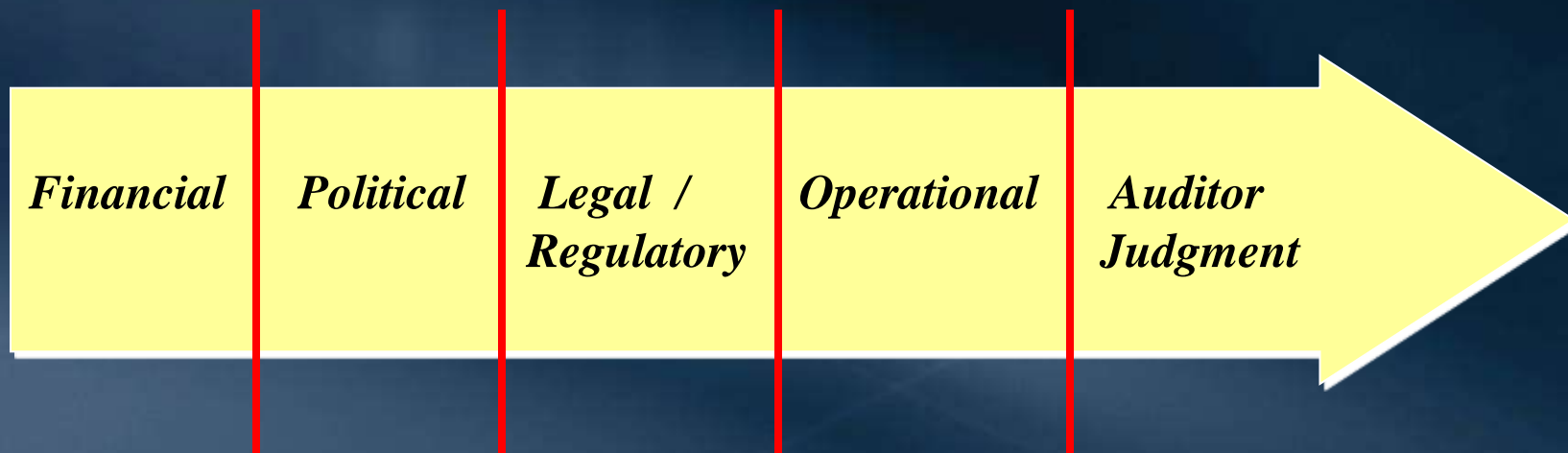
Gather Input

Potential Audits

1.

2.

Assess Inherent Risk



- Consider *likelihood* and *impact* of risk
- Risk rating scale = 1 (low risk) through 5 (high risk)
- Highest risk rating = 25
- Lowest risk rating = 5

Audit Department



Audit Universe

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Financial | Political | Legal / Regulatory | Operational | Auditor Judgment

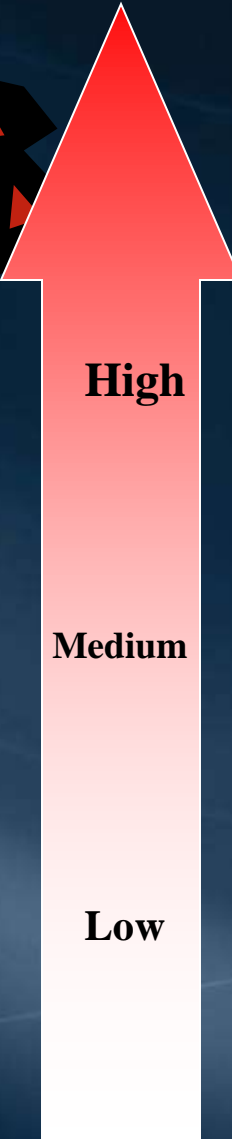
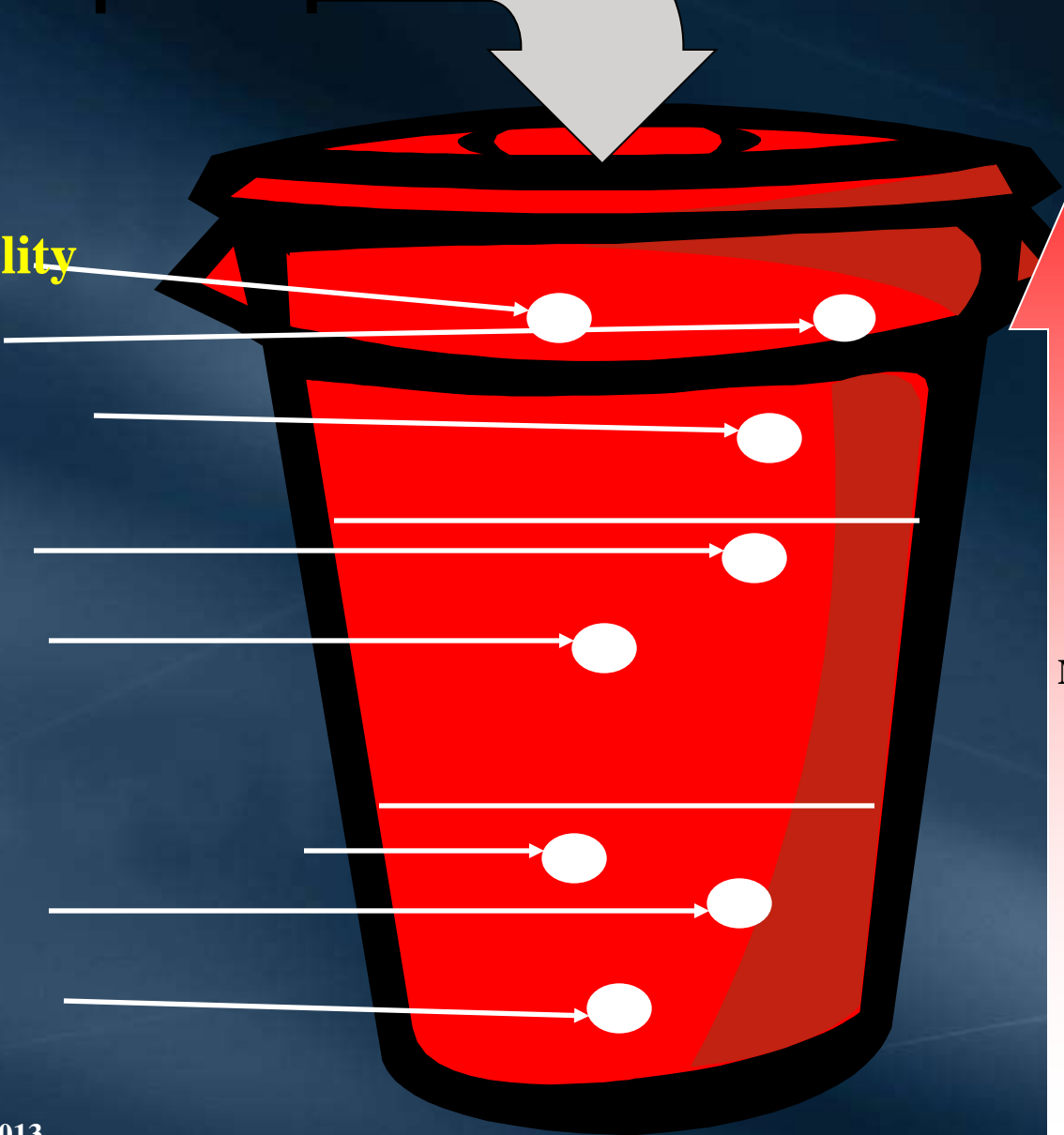


Inherent Risk

Infrastructure Reliability
Oxidation Retrofit
Bay Delta

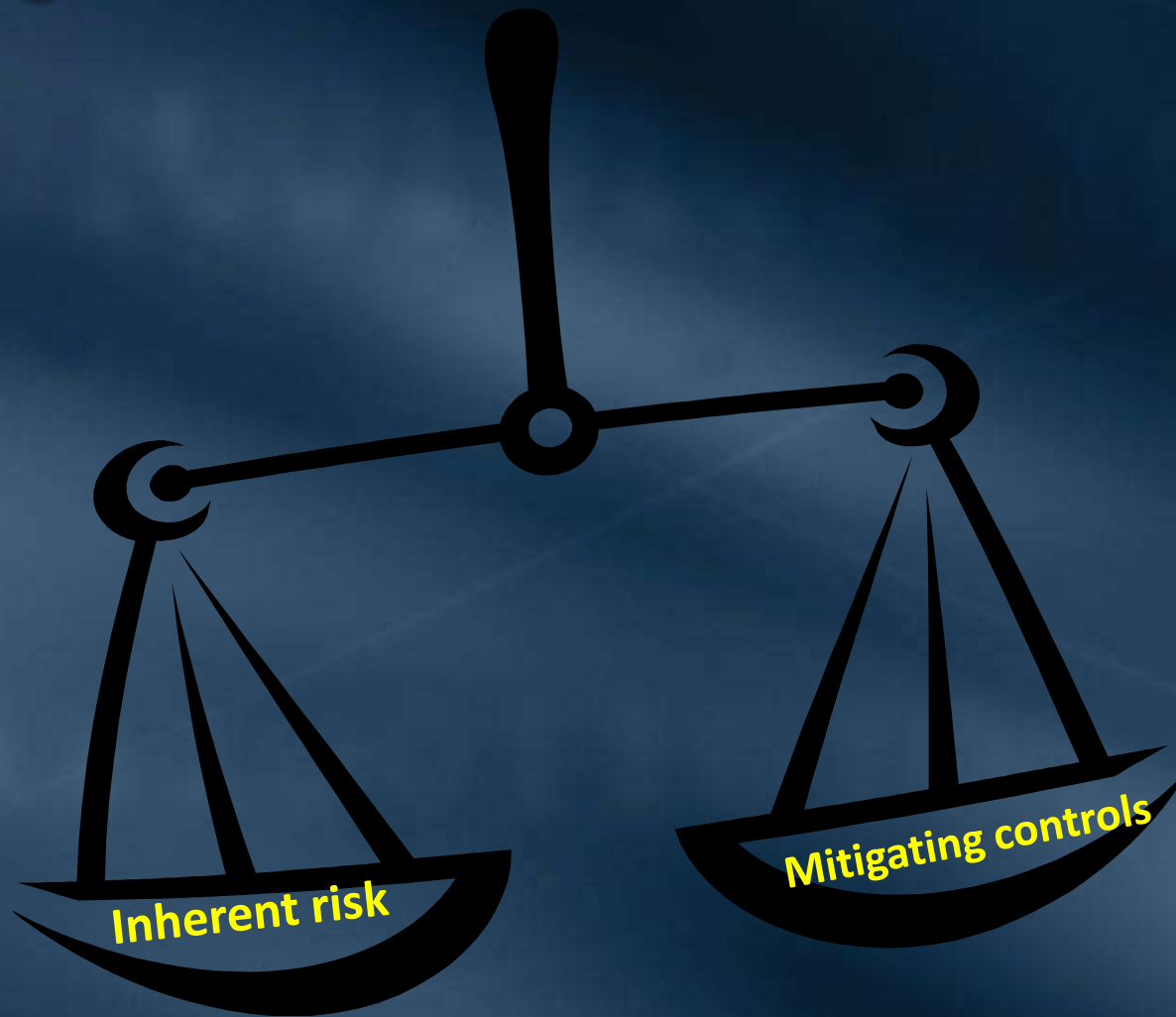
Property Leases
Fuel Supply

Employee RideShare
Tax Revenue
Employee Training





Balancing act: Risk versus Controls



Evolution of Control Environment



Audit Department

2013/14 Proposed Audits



Water System Operations

- Fuel Supply
- Reimbursable Projects
- Safety and Environmental Services Follow-up
- WSO Consulting Agreements
 - Jensen
 - Diemer
 - Weymouth

Water Resource Management

- WRM Programs
 - Arvin-Edison Program
 - Residential Conservation Program

Strategic Water Initiatives

- Bay Delta Consulting Agreements

Engineering Services Group

- Oxidation Retrofit Program
- Infrastructure Reliability Program
- Engineering Consulting Agreements
- Capital Investment Programs
- Capital Projects <\$250K Follow-up

Audit Department

2013/14 Proposed Audits



Chief Financial Officer

- Business Continuity Program
- Bond Comfort Letters
- Assist External Auditors
- Employee and Director Expense Reports
- Internal Controls Over Financial Reporting
- Customer Deposits and Trust Funds
- Computer Aided Analytic Procedures – Payroll and Accounts Payable

Real Property

- Property Leases and Revenue

Human Resources

- Disability Management/Workers' Compensation
- Privacy and Social Media
- Recruitment

Business Technology Group

- PC Replacement
- Cyber Security
- Quarterly Consulting Contracts Reporting
- Water Conservation System Implementation
- Environmental and Safety Management System Implementation
- P-Card
- Stores Inventory
- Software Licensing
- SDLC – DVL SCADA Upgrades

Audit Department

2013/14 Proposed Audits



Board of Directors

- Perform Board Requests
- Colorado River Water Users Association

Ethics, Legal, and External Affairs

- Assist in Internal and External Fraud Investigations
- Legal Contracts
- Community Partnering Program

General Manager

- Perform Management Requests
- Gratuities, Gifts and Facilitating Payments
- Privacy and Social Media

Audit Department Resource Allocation



Audit Area	Budgeted Hours	% of Total
Finance/Operational/Compliance	6,800	61%
Information Technology	1,550	14%
Board/Committee Meetings and Support	800	7%
Assist External Auditors (Contractual)	800	7%
Board and Management Initiatives	475	4%
Comfort Letters	400	3%
Special Reviews	275	2%
Follow-up Reviews	225	1%
Total	11,325	100%

Questions

