



Office of the General Auditor

2019/20

BUSINESS PLAN

Audit Department **2019/20 Business Plan**



Office of the General Auditor



Audit Mission Statement

Office of the General Auditor

Audit Department **Mission Statement**



“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



Audit Department Charter

Office of the General Auditor

From Administrative Code § 6451

What do Auditors do?

Determine whether the organization's

- ✓ network of Risk Management,
- ✓ **Internal Controls and**
- ✓ Governance Processes,
- ✓ **as designed and represented by Management,**
- ✓ is Adequate and Functioning.

How do Auditors do this?

Scope of Work – design and perform tests to ensure:

- (1) Risks are appropriately identified, managed and monitored;**
- (2) Significant financial, managerial and operating information is accurate, reliable and timely;**
- (3) Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;**
- (4) Resources are acquired economically, used efficiently, and adequately protected;**

How do Auditors do this?

Scope of Work – design and perform tests to ensure:

(5) Programs, plans, and objectives are achieved;

(6) Quality, continuous improvement, and innovation are fostered in the organization's control process; and

(7) Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Board Authority

The General Auditor/Audit staff are authorized to:

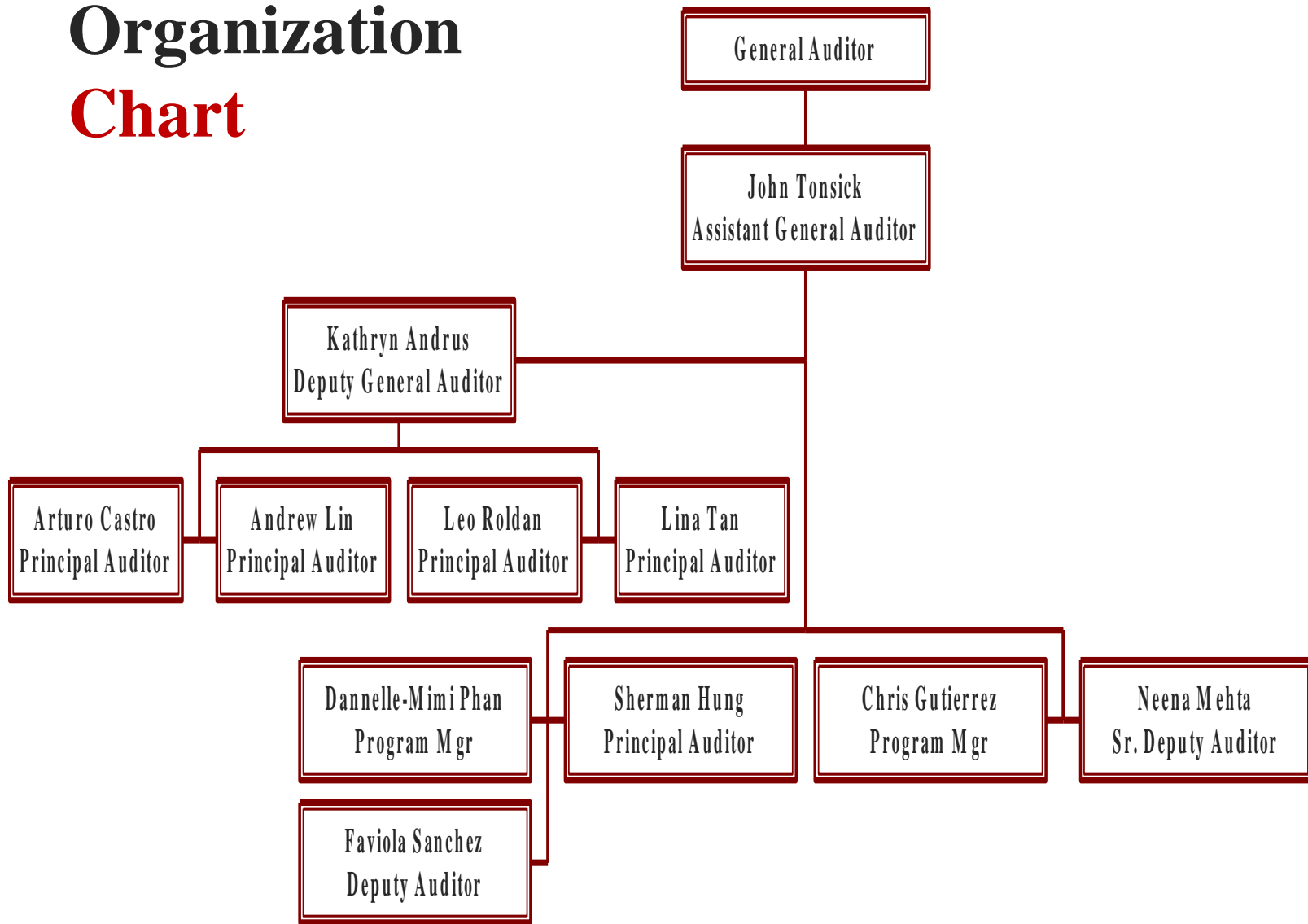
- ✓ unrestricted access to all functions, records, property, and personnel, subject to the requirements of safekeeping, confidentiality and applicable process;**
- ✓ full and free access to the Audit and Ethics Committee, subject to applicable law,**

Board Authority

The General Auditor/Audit staff are authorized to:

- ✓ **Allocate resources, set frequencies, and select subject, determine scopes of work, and apply the techniques required to meet audit objectives;**
- ✓ **Obtain assistance of personnel in units of the organization where they perform audit, as well as other specialized services from within or outside the organization.**

Organization Chart



Audit Department 2019/20 **Strategic Objectives**

- ✓ Provide **risk perspective** and **auditing advice/counsel** in operational and financial activities.
- ✓ Publish **risk-focused** reports with **audit opinions** and internal control recommendations.

To Board and Management

Audit Department 2019/20 Strategic Objectives

- ✓ Improve **completion time** for audits and **evaluate audit responses** for adequacy and timeliness.
- ✓ Address Quality Assurance recommendations with focus on IIA **documentation and supervisory standards**.
- ✓ Emphasize test work of **significant projects**.

Add value and improve operations

Audit Department 2019/20 **Personnel Based Objectives**

- ✓ Identify training for **audit staff to enhance risk assessment techniques** and broaden knowledge of Metropolitan operations.
- ✓ Encourage **professional certifications** and reinforce core competencies by **supporting continuing education**.
- ✓ **Promote diversity** and foster a broad range of perspectives.

Staff development

Audit Department 2019/20 **Operational Objectives**

- ✓ Efficiently **manage the department's budget** for maximum effectiveness of stated budgetary objectives.
- ✓ **Uphold the mission, roles, and responsibilities** of the Audit Department.

Accountability



Proposed **Audits for 2019/20**

Office of the General Auditor

Business Plan 2019/20

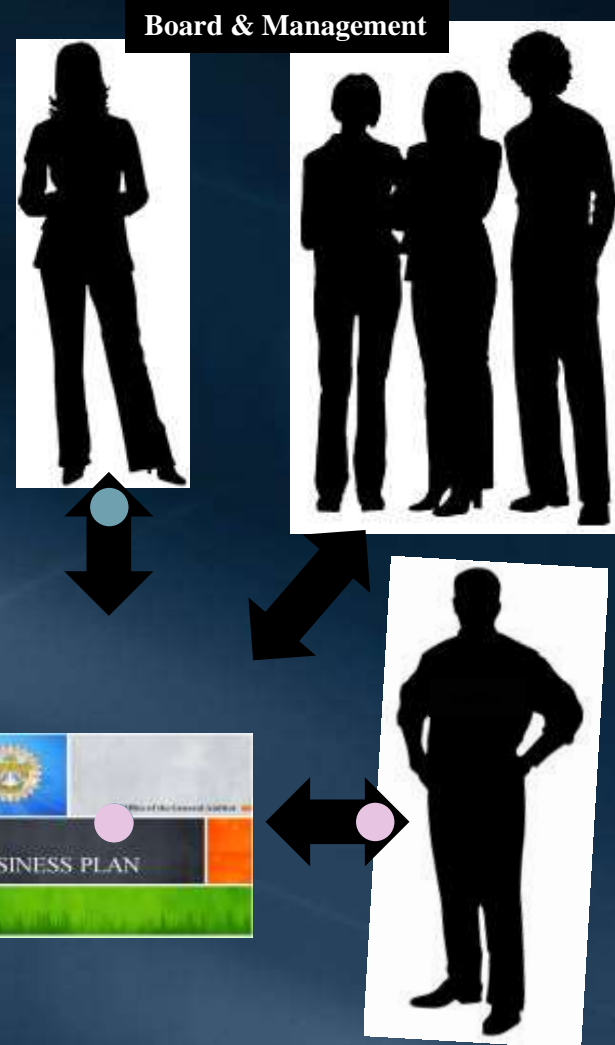
- » Proposed Audits come from each **Department and Group**.
- » Included are **small, medium and large** audits. Also, **simple and complex** exams. Moreover, audits of **on-going CIP** projects are planned.
- » Allowance for **requests by the Board and Management** have been made in the plan.



Collaboration

Simultaneous edits on one single document creates the **Audit Universe**. Designed to get cooperation from all constituents and gain affirmation of the results.

It's about team work, and **co-authoring** will get you there.



Determine Audit Universe

Source:

Board of Directors

Management

External Auditor

Prior Audits

Audit Staff

Gather Input

Potential Audits



Assess **Likelihood** and **Impact** of **Inherent Risk**



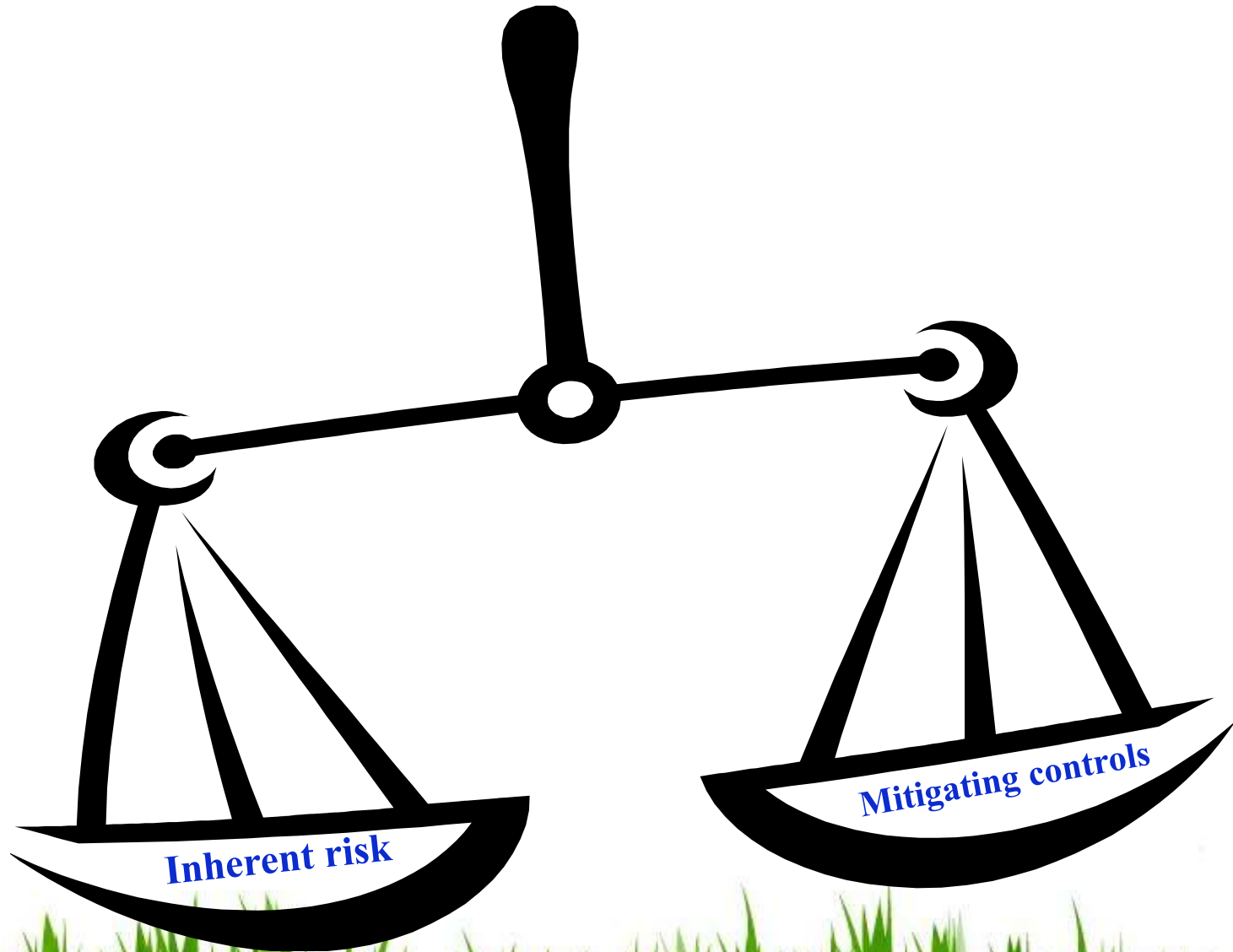
• **Risk rating scale = 1 (low risk) through 5 (high risk)**

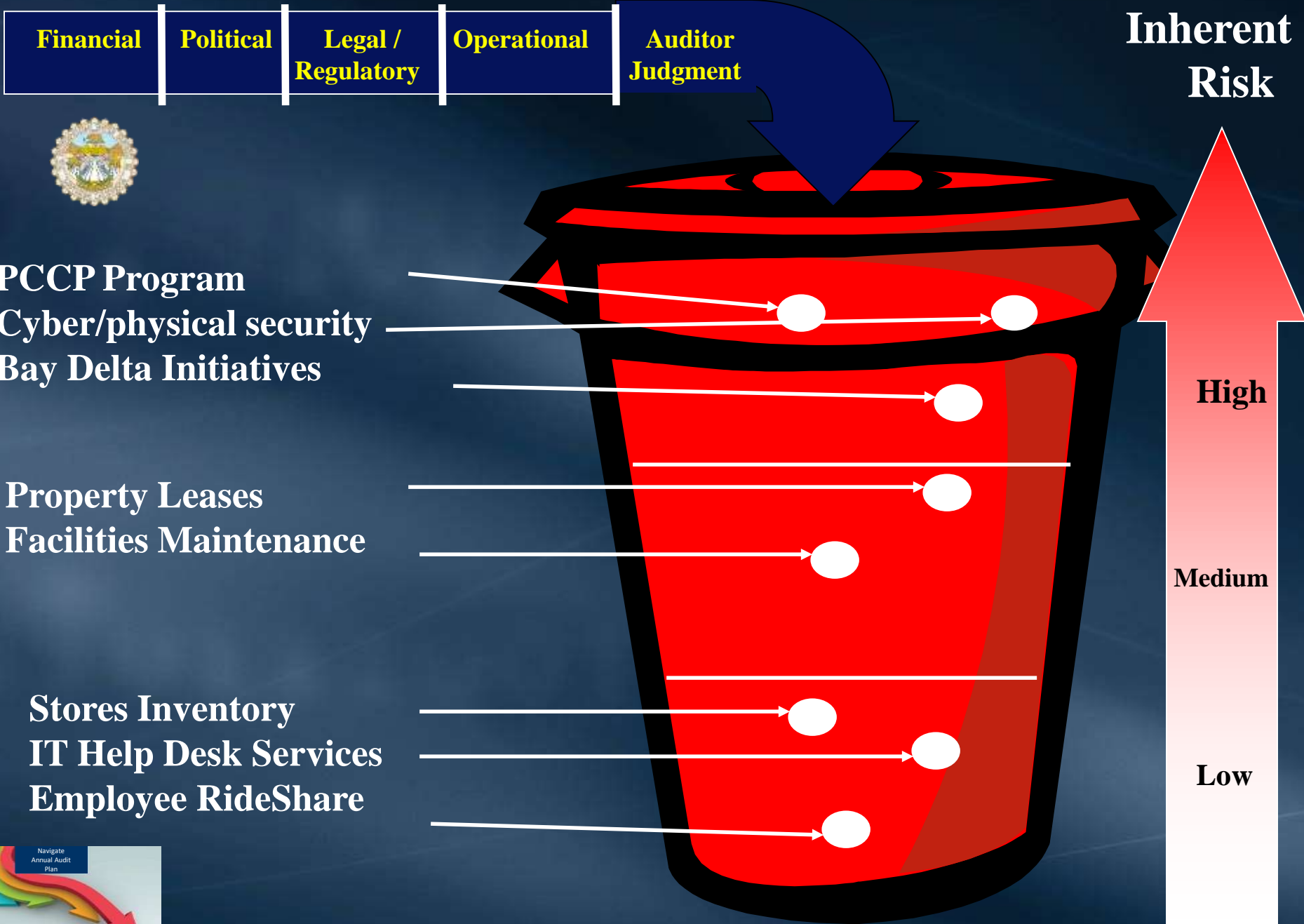
Materiality	Reputation	Highly Regulated	Large Investment	Time Since Last Audit
Transaction Volume	Social Media	New Legislation	Key Systems	Audit Results
Liquidity	Newspaper Test	Litigation	Complexity	Interviews
Accounting Changes	Agency Impact	Potential Impact	Disaster Impact	Employee Turnover

Systematic Approach gives guidance for all risk levels (**High – Medium – Low**)



Balancing act: Risk versus Controls





Audit Universe

06/30/19

FY2019/20 Audit Universe

No.	From Matter #	Audit Projects	Audit Project Description	Hours			Curr. IT Hours	Cum. Fla. Hours	Org.	Risk Levels 1 = Low, 5 = High					Total Risk points	Recent Audits	Recent Audits
				IT	Finance	Total				Green	Yellow	Orange	Red	Black			
1	varm	Carryover audits from 2018/19 Audit Plan	Computer audits in process as of June 30, 2019	50	865	915	30	865	Various	5	5	5	5	5	25	Recurring	
2	3000	Assist External Auditors	Assist external auditors with quarterly audits of financial statements and year-end audit of financial statements. Also, assist with the Single Audit if required. Contractually required.	-	800	800	30	1,665	CFO	5	5	5	5	5	25	Recurring	
3	3001	Perform Board Requests	Perform reviews at the request of the board.	-	200	200	30	1,665	BOB	5	5	5	5	5	25	Recurring	
4	3000	Perform Management Requests	Perform reviews at the request of management.	-	200	200	30	2,065	IM	5	5	5	5	5	25	Recurring	
5	6010	Audit Review	General Auditor review of audits and audit reports.	-	200	200	30	2,365	GLD	5	5	5	5	5	25	Recurring	
6	9110	Employee and Director Expense Reports	Evaluate controls over the expense reporting process, test expense claims for propriety and compliance with established policies (Operating Policy C-6), analyze expense trends and expenses. Required.	-	200	200	30	2,465	BOB/CHO	5	5	5	5	5	25	Recurring	Employee and Director Expense Reports (annual review), last audit June 2018.
7	9011	Colorado River Water Users Association	Perform a limited review of the Colorado River Water Users Association Financial Reports to gain assurance that the information is accurate and supported adequately.	-	125	125	30	2,590	BOB	5	5	5	5	5	25	Recurring	Colorado River Water Users Association (issued as requested annually). Last issued October 2018.
8	6000	Audit Management attendance at Board meetings	General Auditor attendance at board and management meetings. Ensure that timely, thorough information is provided to the board, maintain good relationships with board members. Review board letters and Office of the General Manager monthly reports.	-	400	400	30	2,990	GLD	5	5	5	5	5	25	Recurring	
9	2401	Water Conveyance	Provide assistance as requested for the State Water Conveyance Project. The project will enhance California's statewide water system and improve the reliability of water deliveries to Southern California. The California Water Conveyance project will build a new tunnel underneath the Sacramento-San Joaquin Delta to greatly reduce impacts to endangered fish and habitat, improve water quality, and allow the state to operate its water system more efficiently.	-	300	300	30	3,340	SWI	5	5	5	5	5	25		
10	2402	Delta Islands	Review hours and property management.	-	300	300	30	3,640	SWI	5	5	5	5	5	25		

Risk Levels: 1=Low 2=Moderate 3=Medium 4=High 5=Significant

Audit Department Business Plan 2019/20

Water System Operations

- Repair and Replacement
- Urgent Repairs
- Safety & Environmental Services
- District Housing
- Chemical Management
- Water Quality Compliance Reporting
- Security and Emergency Management
- WSO Storage Programs

Water Resource Management

- WRM Programs
 - Conservation Credits
 - Device Rebates
 - On-Site Recycling Retrofit
- WRM Foundational Actions

Engineering Services

- Oxidation Retrofit Program
- Prestressed Concrete Cylinder Pipeline Program
- Engineering Consulting Agreements
- Major Construction Projects/ Repair & Replacement
- Union Station Improvements

Chief Financial Officer

- ✓ Assist External Auditors
- ✓ Employee and Director Expense Reports
- ✓ Controls Over Financial Reporting
- ✓ Oracle Financial System
- ✓ Business Continuity Program
- ✓ Grants

Business Technology

- ✓ Quarterly Consulting Contracts Reporting
- ✓ Oracle Financial
- ✓ SCADA Cyber Security
- ✓ IT Disaster Plan
- ✓ BYOD Issues

Ethics, General Counsel, and External Affairs

- ✓ Assist in Internal and External Fraud Investigations
- ✓ External Affairs
 - ✓ Consulting Agreements

Real Property

- ✓ Delta Islands Property Leases and Revenue

Human Resources

- ✓ Employee Separations
- ✓ Temporary Employees
- ✓ Employee Benefits

Audit **Business Plan 2019/20**

Board of Directors

- ✓ Perform Board Requests
- ✓ Colorado River Water Users Association

General Manager

- ✓ Perform Management Requests
- ✓ Inspection Trips

Audit Department **Resource Allocation**

Audit Area	Budgeted Hours	% of Total
Finance/Operational/Compliance	10,400	70%
Information Technology	1,700	12%
Assist External Auditors (Contractual)	800	5%
Board/Committee Meetings and Support	500	3%
Board and Management Initiatives	600	4%
Special Reviews	400	3%
Follow-up Reviews	400	3%
Total	14,800	100%



Professional *Accountability*

Office of the General Auditor

Quality Assurance and Improvement Program



An evaluation of conformance with the **Definition of Internal Auditing** and the **International Standards for the Professional Practices of Internal Auditing** and whether internal auditors apply the **Code of Ethics**.

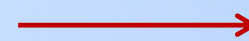
Assess the **efficiency** and **effectiveness** of the internal audit and identifies **opportunities for improvement**.

Integrity



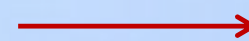


Mission and Objectives



Support

Business Plan Approach & Methodology



Endorse

Proposed Business Plan



Approve



BUSINESS PLAN 2019/20





Department