



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Committee Item INFORMATION

Executive Committee

7/9/2024 Committee Meeting

2a

Subject

General Auditor's Business Plan for Fiscal Year 2024/2025

Executive Summary

The General Auditor's Business Plan for fiscal year 2024/25 presents key accomplishments of the Office of the General Auditor during fiscal year 2023/24 and goals for fiscal year 2024/25. The General Auditor's Internal Audit Plan, which covers the internal audit risk assessment and resultant audit and advisory projects we will work on during fiscal year 2024/25, was approved by the Board on June 11, 2024 and is separate from this item.

Fiscal Impact

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 2703: General Auditor's Report
Metropolitan Water District Administrative Code Section 6451: Audit Department Charter
Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

July 11, 2023, Item 7-8, Approve General Auditor's Business Plan for fiscal year 2023/24

June 11, 2024, Item 7-1, Approve General Auditor's Audit Plan for fiscal year 2024/25

Details and Background

Background

The mission of the Office of the General Auditor is to provide independent, professional, objective assurance and consulting services designed to add value and improve Metropolitan's operations. Metropolitan's internal audit function helps Metropolitan accomplish its objectives by using a proactive, systematic approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The proposed Business Plan (Attachment 1) includes a list of key accomplishments aligned with goals established at the onset of fiscal year 2023/24. Using information obtained from the Department Head 360° evaluation process and applying requirements from professional internal auditing standards, the Metropolitan Mission Statement, and the strategic priorities of the General Manager, a set of planned goals and strategies was developed for fiscal year 2024/25 for Board consideration.



Scott Suzuki
General Auditor

7/3/2024

Date

Attachment 1 – General Auditor’s Business Plan: Fiscal Year 2024/25

Ref# a12704359



OFFICE OF THE GENERAL AUDITOR

General Auditor's Business Plan

FISCAL YEAR 2024/25

July 9, 2024

INTRODUCTION

Pursuant to Item 7-4 from the May 14, 2024 Ethics, Organization, and Personnel Committee meeting, this business plan presents key accomplishments of the Office of the General Auditor during fiscal year 2023/24 and goals for fiscal year 2024/25. The General Auditor's Internal Audit Plan, which covers the internal audit risk assessment and resultant audit and advisory projects we will work on during fiscal year 2024/25, was approved by the Board on June 11, 2024 and is separate from this document.

The Office of the General Auditor looks forward to serving Metropolitan's internal audit needs and contributing to its mission of providing its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

BACKGROUND

The mission of the Office of the General Auditor is to provide independent, professional, and objective assurance and consulting services designed to add value and improve Metropolitan's operations. We help Metropolitan accomplish its objectives by using a proactive and systematic approach to evaluate and recommend improvements to the effectiveness of risk management, internal control, and governance processes.

We compiled a list of key accomplishments aligned with goals established at the onset of fiscal year 2023/24. Using information obtained from the Department Head 360° evaluation process and applying requirements from professional internal auditing standards, the Metropolitan Mission Statement, and the strategic priorities of the General Manager, we developed a set of planned goals and strategies for fiscal year 2024/25 for Board consideration.

FY 2023/24 ACCOMPLISHMENTS

1. **Board Relations.** Build and strengthen relationships with the General Auditor's home committee and the 38-member Board of Directors by developing trust and establishing credibility and reliability.
 - Developed new report format to provide the Board with an executive summary, recognize positive performance, document management's response, and provide assistance to management with new priority ratings; issued three audit reports
 - Crafted a new dashboard to succinctly report quarterly internal audit activity to the Board; completed four quarterly reports
 - Collaborated with General Counsel to develop a new dual-report format for sharing confidential audit communications
 - Created orientation materials to introduce Metropolitan's internal audit function to new Board members
 - Maintained periodic meetings with the Board Chair and audit subcommittee chair to discuss internal audit activities, Metropolitan current events, and contemporary internal audit topics
 - Introduced review of the Audit Department Charter (Administrative Code Section 6451) with the audit subcommittee to reaffirm mission and scope of work, applicable professional standards, internal audit responsibilities, and authority
 - Implemented process for handling individual Board Member audit requests outside the planning cycle

2. Enterprise Risk. Initiate robust risk conversations with the Subcommittee on Audits and the Board.

- Facilitated the annual audit risk assessment discussion with the Board to identify concern areas; incorporated Board feedback into the audit plan
- Revised audit risk assessment methodology by utilizing auditable areas aligned with the organizational structure, formalizing risk scoring, and adding risk velocity; assigned engagements to areas of risk identified in the audit risk assessment with consideration of the General Manager's strategic priorities
- Updated audit plan periodically based upon evolving risk landscape

3. Audit Plan. Develop and execute an annual audit plan that is bold, strategic, and addresses any outstanding audit recommendations, along with timelines for implementation.

- Facilitated meetings with Metropolitan department heads and senior management to identify risk areas
- Added advisory services to provide consulting to management; initiated three advisory projects for mission-critical applications being replaced/upgraded
- Created new advisory memo to swiftly communicate with the Board and management; issued one memo
- Revised follow-up process to ensure implementation of all audit recommendations and facilitate management reporting/timelines; created new follow-up forms
- Completed ransomware assessment to address IT risk area
- Provided annual support to external auditor Macias Gini & O'Connell LLP and periodically met as part of application of the combined assurance model
- Performed review for Colorado River Water User's Association in support of Colorado River relations.

4. Professional Standards. Strengthen the operations of the organization by providing independent and objective advice in accordance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

- Contracted completion of an external quality assessment of the internal audit function by The Institute of Internal Auditors to evaluate conformance with professional internal auditing standards; received a recognition plaque acknowledging our conformance
- Attended training on revised professional standards (Global Internal Audit Standards) to gain an understanding of the new model and changes to be implemented
- Implemented engagement and reporting quality control checklists to ensure adherence to professional standards
- Integrated Ethics and General Counsel into engagement planning procedures to coordinate work effort and encourage collaboration

5. General Auditor Team. Take steps toward creating a high-performing, inclusive, and innovative team of audit professionals noted for valuing diversity, workplace equity, shared vision, and mission.

- Upgraded our project management application (TeamMate+) to take advantage of the latest web-based solution functionality
- Revised practices for audits, advisories, follow-up reviews, and staff scheduling to increase effectiveness (e.g., conformance to standards, cross-training) and efficiency (e.g., reduce turnaround timeframes)
- Implemented monthly staff meetings and off-site lunches to enhance team building and communications
- Provided opportunities for audit department staff to participate in department initiatives (e.g., audit plan development, new report format) and present at committee meetings to foster professional growth and inclusion opportunities
- Audit management attended fraud training covering artificial intelligence, fraud risk management, fraud trends, and the role of the auditor and fraud
- Principal Auditors attended training to enhance project lead skills; audit department staff attended training provided by Human Resources to learn about communication styles and help build cohesion within the department and foster effective communication
- Audit management attended the SoCal Ethics Symposium, which focused on sharing insights, challenges, and solutions in the field of government ethics and compliance; audit department staff attended Ethics training covering Metropolitan's gift rules

FY 2024/25 GOALS

GOAL 1: People

People are the organization's most valuable asset. This goal sets out to increase knowledge, skills, and abilities of individual team members and develop the internal relationships amongst the internal audit team.

Strategies:

- Upskill internal audit resources with customized courses in technical competencies and interpersonal skills; ensure completion of 40 minimum training hours
- Recruit and fill critical senior audit manager position to assist with day-to-day operations
- Encourage pursuit of professional certifications related to internal audit

GOAL 2: Quality

Quality is a critical component of internal audit work and is governed by professional internal audit standards. This goal seeks to ensure internal audit meets or exceeds quality standards for assurance and advisory work.

Strategies:

- Complete readiness assessment to prepare for conformance with the new 2024 Global Internal Audit Standards; implement required changes
- Train staff on new requirements; monitor for conformance
- Implement recommendations from the 2023 external quality assessment
- Restart annual internal quality assessment process

GOAL 3: Innovation

Innovation is a cornerstone to ensuring Metropolitan's resources are utilized in an efficient and economical manner. This goal looks to continuously improve internal audit means and methods in support of Metropolitan's mission.

Strategies:

- Formalize an internal audit strategy that supports the strategic objectives and success of Metropolitan
- Investigate application of artificial intelligence
- Increase application of data analytics
- Leverage project management system features
- Execute rapid reviews

GOAL 4: Risk

Risk is anything that can interfere with Metropolitan achieving its mission and objectives. This goal pursues risk identification, evaluation, and assistance with mitigation.

Strategies:

- Support enterprise risk management initiatives
- Stay abreast of and communicate emerging risk topics
- Explore adoption and implementation of frameworks for internal control, fraud risk management, and information technology

GOAL 5: Collaboration

Collaboration with the Board, management, and other department heads is integral to internal audit's effectiveness. This goal endeavors to enhance interaction between internal audit and the Board, management, General Counsel and Ethics.

Strategies:

- Share new audit plan process and project methodologies with stakeholders; solicit feedback
- Identify internal control training opportunities to offer within Metropolitan
- Investigate ways to coordinate strategy and enhance collaboration with other departments
- Implement customer service surveys at engagement conclusion to solicit feedback and improvement opportunities
- Facilitate combined assurance model

OFFICE OF THE GENERAL AUDITOR COMMUNICATIONS

This business plan was prepared by the Office of the General Auditor, an internal audit function of the Metropolitan Water District of Southern California serving the Board of Directors and management. Questions regarding this communication may be directed to General Auditor Scott Suzuki at 213.217.6528 or Deputy General Auditor Kathryn Andrus at 213.217.7213.