



# **Office of the General Auditor**

## **AUDIT PLAN DEVELOPMENT and EXECUTION**

Audit and Ethics Committee  
Item #6a  
February 22, 2022

# What is Internal Auditing?

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“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



**Mission**

# Internal Audits' Roles

- Explorer
- Analyst
- Problem-solver
- Collaborator
- Communicator
- Innovator
- Trusted Advisor



# Internal Audits' Roles

- **Risk Management, Control & Governance**
  - Evaluate Risks
  - Apprise Financial Accuracy
  - Identify and Communicate Red Flags
  - Monitor Compliance with Rules and Regulations
  - Recommend Control Improvements
  - Promote Ethical based Decisions and Actions

# The Audit Planning Process



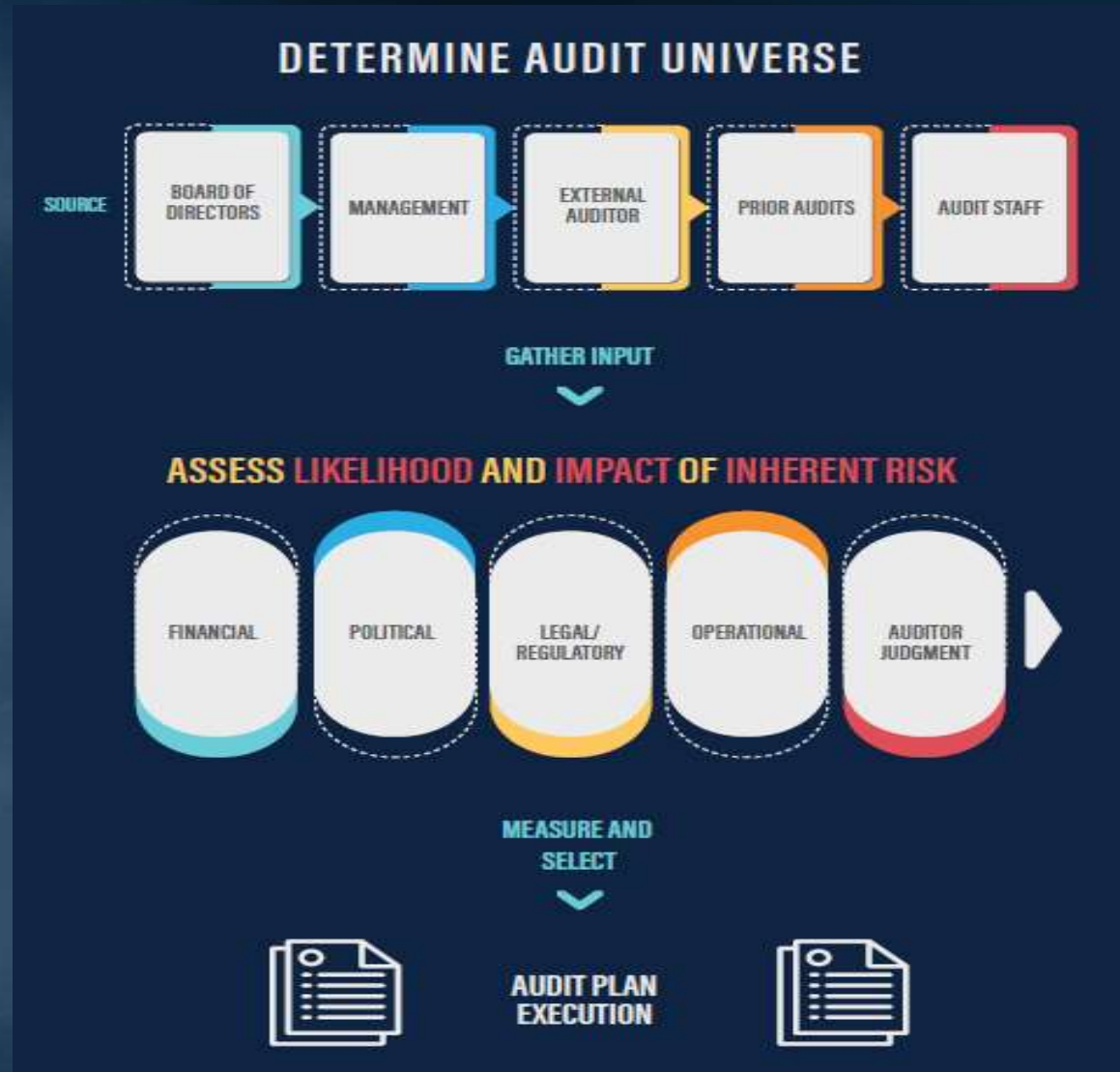
## Navigating the Road Ahead



# Audit Plan Development

- **Identify auditable activities and relevant risk factors, and assess their significance**
  - Attend Board and Committee Meetings
  - Hold discussions with management, board members, and external auditors
  - Consider prior audits
  - Stay abreast of business trends
  - Identify potential problem areas
  - Anticipate emerging issues and risks

# Audit Plan Development



# Audit Plan Development

06/30/21

FY2021/22 Audit Universe

No.4	Team Mate #	Audit Projects	Audit Project Description	Hours			Cum. IT Hours	Cum. Fin. Hours	Org.	Risk Levels: 1 = Low; 5 = High					Total Risk points	Recent Audits	Recent Audits
				IT	Finance	Total				Design	Deliver	Implement	Operate	Auditor Judges			
1	Various	Carryover audits from 2020/21 Audit Plan	Complete audits in process as of June 30, 2020.	180	1,340	1,520	180	1,340	Various	5	5	5	5	5	25	Recurring	
2	5000	Assist External Auditors	Assist external auditors with quarterly audits of financial statements and year-end audit of financial statements. Assist with the Single Audit if required. Anticipate changes due to teleworking. Also, evaluate new accounting pronouncements and adoptions. Contractually required.	-	600	600	180	1,840	CFO	5	5	5	5	5	25	Recurring	
3	5001	Perform Board Requests	Perform reviews at the request of the board.	-	200	200	180	2,140	BOD	5	5	5	5	5	25	Recurring	
4	5500	Perform Management Requests	Perform reviews at the request of management.	-	500	500	180	2,640	GM	5	5	5	5	5	25	Recurring	
5	6010	Audit Review	General Auditor review of audits and audit reports.	-	400	400	180	3,040	AUD	5	5	5	5	5	25	Recurring	
6	5010	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-04), analyze expense trends and expenses. Required.	-	200	200	180	3,240	BOD/CFO	5	5	5	5	5	25	Recurring	Employee and Director Expense Reports (annual review), last audit June 2019 (Note: Fall (Expense) audit performed in 2020)
7	5031	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	180	3,365	BOD	5	5	5	5	5	25	Recurring	Colorado River Water Users Association (annual as requested annually). Last issued November 2020
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 sound relationships with board members. Review board letters and Office of the General Manager monthly reports. Disseminate information to teleworking staff.	-	550	550	180	3,815	AUD	5	5	5	5	5	25	Recurring	
9	2403	Water Conveyance	Provide assistance as requested for the State Water Conveyance Project. Monitor for progress.	-	50	50	180	3,965	SWI	5	5	5	5	5	25		
10	2402	Delta Islands	Review leases and property management.	-	300	300	180	4,265	SWI	5	5	5	5	5	25		
11	2330	State Water Contract	Water supply contract with the California Department of Water Resources. Richardson & Co. provides audit coverage. Provide assistance if requested.	-	80	80	180	4,545	WRM	5	5	5	5	5	25	Recurring	
12	2502	Regional Recycled Water Program	Monitoring project status of the Pilot Program.	-	50	50	180	4,795	WRM	5	5	5	5	5	25		
13	2951	CRA Power Operations	Review CRA power purchases, regulation compliance, accuracy of service processing with Boulder Canyon Project, Parker Davis Project, Lake Mead/Colorado River, 3rd party energy suppliers, AEP/CO and CAISO. Review compliance for agreements with AEP/CO and CAISO.	-	500	500	180	4,895	WSD	5	5	5	5	5	25		The original Emergency Management System was separated into three areas: CRA Power Operations, Hydroelectric Power Operations, and WRCC Compliance.
14	2935	Security and Emergency Management	Evaluate physical security measures in place to protect persons and property, including outside security resources. Review activities of the Security Management Unit, including physical security function at CRA, water treatment plants, distribution systems and headquarters. Refer to Operating Policy E-01. Review Union Station Security and offsite security processes (Facility Security Audit, Security Agreement Audit)	-	450	450	180	5,345	CFO	4	5	5	5	5	25		
15	2250	Capital Investment Plan - PCCP Rehabilitation and Replacement Program	Review controls over PCCP Rehabilitation and Replacement program including tests performed at the program, project, and contract levels. Include program management (project tracking activities, budget vs. actual monitoring, and reporting practices) for selected projects under the program. Evaluate controls over project authorization and project close-out processes. On the contract level, review controls over selected contract(s) including change orders and the validity of expenditures. Conduct substantial contractor audits under MWD's audit clause.	-	400	400	180	5,745	ESG	5	5	4	4	5	25	2019	Second Interim Finalist PCCP (2018)

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

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FY2020/21 Audit Universe



# Governance & Control Framework

- COSO - Committee of Sponsoring Organizations of the Treadway Commission
- Generally accepted model for internal control
- Standard against which organizations measure the effectiveness of their systems of internal control



# Audit Execution

## ● Planning

- Define Scope and Objectives
- Document Process(es)
- Identify Risks and Controls
- Assess Fraud Risk
- Develop Audit Fieldwork Program



# Audit Execution

- **Fieldwork**

- Execute audit fieldwork program
  - Sample Testing
  - Documentation Review
  - Data Analytics
  - Visual Inspection
- Review observations with management



# Audit Execution

## ● Reporting

- Issue written report with audit's opinion
  - Satisfactory
  - Generally Satisfactory
  - Less than Satisfactory
  - Unsatisfactory



# Audit Opinions Overview

***Satisfactory***

***Generally Satisfactory***



***Preferred and acceptable***

***Less Than Satisfactory***

***Needs improvement***

***Unsatisfactory***

***Requires immediate Management attention***



# Audit Execution

## ● Reporting

- Obtain Management Remediation Plans
  - Actions to be taken
  - Anticipated implementation date
- We will report any major disagreements with audit client to the Audit and Ethics Committee and the Board

# Questions

