

Public Utility Commission of Texas

Fiscal Year 2024 Internal Audit Plan

Internal Audit Division

October 2023

Regulated Industries:



Electricity



Telecommunications



Water & Sewer



Public Utility Commission of Texas

Fiscal Year 2024 Audit Plan

Overview

The Texas 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 requires state agency internal auditors to conduct a program of auditing that includes an annual audit plan that is prepared using risk assessment techniques and that identifies the individual audits that will be conducted during the year. The Texas Government Code also requires that the annual audit plan be presented to the Public Utility Commission of Texas (PUC) for review and approval. The Internal Audit Division (Division) has prepared the Fiscal Year 2024 Audit Plan in accordance with these requirements.

The Division adds value to and improves the PUC's operations by considering strategies, objectives, and risks; offering ways to enhance governance, risk management, and control processes; and objectively providing relevant assurance and consulting activities. The Division is independent of management and serves at the direction of the Commission.

Risk Assessment Process

The audit plan was developed using a risk-based methodology to determine the priorities of the internal audit activity, consistent with the PUC's goals. Risk was measured in terms of impact and likelihood. Various levels of management and staff completed a risk assessment questionnaire which required them to rank specific risk factors that applied to the organization's significant operational activities. Those risk factors included:

- 1) Financial Activity
- 2) Grant Management
- 3) Contract Management
- 4) Legislative Interest
- 5) Reputational Significance and Visibility
- 6) Identification of Risks and Internal Controls
- 7) Information Technology
- 8) Goals and Performance Measures
- 9) Changes in Staffing and Organizational Structure
- 10) Extent of Government Regulation
- 11) Size and Complexity of Operations and Programs
- 12) Results and Time Since Last Audit Engagement
- 13) Potential for Fraud, Waste, and Abuse
- 14) Documentation of Current Policies and Procedures
- 15) Training

Interviews were conducted with management and staff to gain a better understanding of the PUC's programs and processes and to seek input regarding high risk areas. The information from the questionnaires along with the input from the interviews was incorporated into the analysis to develop an initial risk score for each auditable activity. Input from the Commissioners and executive administration regarding high risk areas was also incorporated into the analysis and this information was then used to determine the impact and likelihood of select risk factors. A final risk score was calculated for each auditable activity.



Public Utility Commission of Texas Fiscal Year 2024 Audit Plan

Internal Audit Plan

The Fiscal Year 2024 Audit Plan outlines the risk-based audits and other audit activities that the Division will conduct during the year. The audit plan is aligned with the strategies, objectives, and risks of the organization.

The proposed audit plan includes risk-based audits, carry-forward audits that were in progress at year end or carried forward based on a reassessment of risk in related areas, follow-up reviews, consultations and non-audit services, investigative reviews, and administrative audit activities. The budgeted hours for all projects are based on one staff auditor and the Director of Internal Audit.

| FY2024 Audit Plan |
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| Risk-based Audits |
| Audit of the Consumer Complaint Process |
| Carry-forward Audits |
| Audit of Compliance with Select Texas Administrative Code, Chapter 202, Information Security Standards |
| Follow-up Reviews |
| Assess the status of previously reported internal and external audit findings and recommendations and report whether corrective actions have been implemented. |
| Consultations and Non-Audit Services |
| Perform advisory and related client service activities requested by the Commission and management which add value and improve the agency's governance, risk management, and control processes. |
| Investigative Reviews |
| Detect, track, and review allegations of fraud, waste, and abuse received through the agency's hotline as well as those referred by the State Auditor's Office. |
| Administrative Audit Activities |
| TeamMate+ Migration |
| Annual Risk Assessment & Internal Audit Plan |
| Internal Audit Annual Report (SAO) |
| External Audit and Review Coordination |
| Annual Review of Internal Audit Policies and Procedures, Charter, and Templates |

The specific scope and objectives of each audit project will be determined during the planning phase of each audit as a detailed project level risk assessment is performed. This process includes consideration of relevant information systems, records, key personnel, physical properties, and fraud, waste, and abuse.

The audit plan was designed to maximize the coverage of overall agency risks with available internal resources; however, it does not provide coverage for all Divisions, programs, and processes. The plan provides reasonable coverage of agency operations, over a reasonable period of time, given existing resources.



Public Utility Commission of Texas Fiscal Year 2024 Audit Plan

The audit plan may be modified during the fiscal year as circumstances change. Requests from management, changes in audit resources, and changes in the PUC's business, risks, operations, programs, systems, and controls could result in updates to the audit plan. The impact of any resource limitations will be communicated, as needed, and any significant updates to the audit plan will be presented to executive administration and the Commission for approval.

Approved by the Commission on October 12, 2023.