

Public Agenda Item #11b

Presentation, Discussion and Consideration of
Audit Committee Agenda items:

Internal Audit Administrative Items

December 2, 2016

Tony Chavez, Director of Internal Audit

Internal Audit Performance Measures

Tony Chavez, Director, Internal Audit Division
Beth Gilbert, Internal Auditor

Internal Audit Performance



- The Audit Committee is responsible for reviewing the effectiveness of the internal audit function including conformance with audit standards
- Performance measures help assess the effectiveness, efficiency and sustainability of the internal audit function
- FY2016 performance measures were reviewed and discussed with the Board at the August 2015 Audit Committee meeting

Internal Audit Strategic Goals



- Enhance Professional **Practices**
- Enhance **Performance** Management and Accountability
- Develop **People** (Staffing)

Strategic Goals Capacity Model



	Description	Practice	Performance	People
Level 5 – Optimizing	<ul style="list-style-type: none"> Internal Audit recognized as key change agent Continuous Improvement Innovative recommendations 	█		
Level 4 – Managed	<ul style="list-style-type: none"> High level of understanding Audit strategy leverages division management of risk 	█	█	
Level 3 – Integrated	<ul style="list-style-type: none"> Process improvement or efficiency added Risk-based audit plans 			█
Level 2 – Infrastructure	<ul style="list-style-type: none"> Professional practices and framework Full access to information 			
Level 1 – Initial	<ul style="list-style-type: none"> Isolated single audits or reviews of documents and transactions for accuracy and completeness Not a disciplined problem solver – follows what worked before. 			

Enhance Professional Practices



Compliance With Statute And Audit Standards

Peer Review – Highest Rating

- *Demonstrates integrity*
- *Objective and free from undue influence (independent)*
- *Demonstrates competence and due professional care*
- *Demonstrates quality and continuous improvement*



Enhance performance management



Value-add And Efficiency Of Internal Audit

Providing Assurance and Insight

- *Aligns with the strategies, objectives and risks of the organization*
- *Provides risk-based assurance*
- *Promotes organization improvement*

Strategic Action Items

- *Better discussion with business teams on key objectives/risks during Planning*
- *Use audit teams for select engagements*
- *Evaluate communication process to key stakeholders and process owners*

Develop People (Staffing)



Adequate Resources and Professional Staff

Maintain and Enhance Knowledge

- *Demonstrate competence and due professional care*
- *Average ERS longevity 2.5 years*
- *All staff certified as either Certified Internal Auditor, Certified Government Auditing Professional, Certified Fraud Examiner, or Certified Risk Manager Assurance*

Strategic Action Items

- *Approval of additional FTE in FY17*
- *Training emphasis in ERS core business functions (Investments, IT, Healthcare)*
- *Perform engagements as team to provide for additional opportunities*

FY 2017 Anticipated Changes

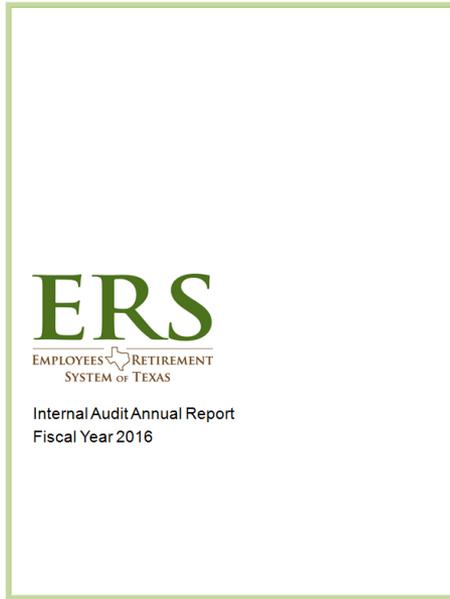


Strategic Direction	Measure	Target Goal
Performance	Percent of Audit Plan Completed	90%
Performance & Practice	Customer Service Levels	80%
Performance & Practice	Number of days from End Of Fieldwork to Draft Report sent to Executive Director	25 business days
People	Percent of Audit Staff Meeting Required CPE	100%
Performance	Percent of Time Spent on Value Added Service	75%
Performance & Practice	Percent of Recommendations Accepted by Management	85%
People	Percent of Audit Staff attending 40% of training in core business to increase business acumen	100%

Annual Internal Audit Report

Tony Chavez, Director, Internal Audit Division
Beth Gilbert, Internal Auditor

Fiscal Year 2016 Annual Internal Audit Report



- Statutorily required report
- Report guidelines established by the Texas State Auditor's Office
- Overall summary of internal audit activities for prior fiscal year

Report includes:

Compliance with House Bill 16
FY16 Internal Audit Plan Results
Consulting and Nonaudit Services Completed
FY13 External Quality Assurance Review
FY17 Internal Audit Plan
External Audit Services procured in FY16
Reporting Suspected Fraud, Waste & Abuse

Questions?