

City of Fort Worth

Proposed Annual Audit Plan Fiscal Year (FY) 2024

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City Auditor

Department of Internal Audit

August 29, 2023



Annual Audit Plan FY2024 Overview

- Required per city ordinance 24030-02-2020 § 2-37(b)(1)
- Working document, may change during the year
- *Schedule of Activities* comprises 30 separate engagements resourced by in excess of 16,000 staff auditor hours
- Types of engagements include the following categories:
 - Performance
 - Information Technology (I.T.)
 - Compliance
 - Financial
 - Management Action Plan Follow-Ups

Annual Audit Plan FY2024 Timeline

Annual Audit Plan FY2024	
Target Date	Action Item
Completed	Annual risk assessment questionnaire provided to city departments for feedback and responses
August 29, 2023	Present proposed Annual Audit Plan FY2024 in work session to City Council
September 12, 2023	Submit Annual Audit Plan FY2024 to Mayor and City Council for approval, as consent agenda item

Annual Audit Plan FY2024 Input Sources

Include but not limited to:

- Suggestions solicited from leadership, management, staff
- Required engagements
- Internal Audit staff suggestions for engagements
- Relevant topics identified as audit-worthy in peer cities' planned and completed annual audit plans –Austin, Dallas, San Antonio
- Topics from media sources, professional publications, etc.

Annual Audit Plan FY2024 Considerations

Risk Factors include but not limited to:

- Budget impact
- Potential for negative publicity
- Organizational, operational and/or technical changes
- Relevant laws and regulations
- Time since last audit/prior audit results

Annual Audit Plan FY2024 Objectives

- Acknowledge effective performance in the administration of the City's **System of Internal Control**
- Identify opportunities for improvement in the design and/or operating effectiveness in administering the City's **System of Internal Control**
- Recommend practical solutions to strengthen the City's **System of Internal Control**

System of Internal Control: Working Definition

A broad, cohesive collection of interdependent parts effected by an entity's Governing Board/Council, management, personnel and stakeholders which when designed and operating effectively may serve as a governance and management framework through which a stated organizational objective or set of objectives may reasonably be expected to be achieved.

Objectives of a System of Internal Control

- Efficiency and effectiveness of operations
- Reliability of operational and financial reporting
- Compliance with laws and obligations
- Safeguarding of assets

Components and Principles of a System of Internal Control

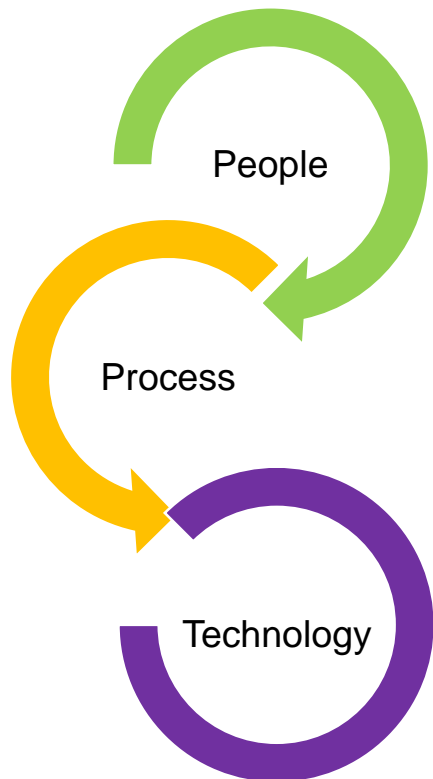
COMPONENTS	<i>description</i>	PRINCIPLES
The Control Environment	It is the foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.	<ol style="list-style-type: none"> 1. Demonstrate commitment to integrity and ethical values 2. Exercise oversight responsibility 3. Establish structure, authority, and responsibility 4. Demonstrate commitment to competence 5. Enforce accountability
Risk Assessment	This component assesses the risks facing the entity as it seeks to achieve its objectives. The assessment provides the basis for developing appropriate risk responses.	<ol style="list-style-type: none"> 6. Define objective and risk tolerances 7. Identify, analyze, and respond to risks 8. Assess fraud risk 9. Identify, analyze, and respond to significant change
Control Activities	The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.	<ol style="list-style-type: none"> 10. Design control activities to achieve objectives 11. Design control activities for entity's information systems 12. Implement control activities through written policies
Information and Communication	The quality information that management and personnel communicate and use to support the internal control system.	<ol style="list-style-type: none"> 13. Use quality relevant information 14. Communicate internally 15. Communicate externally
Monitoring Activities	Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.	<ol style="list-style-type: none"> 16. Establish and perform monitoring activities 17. Identify and remediate deficiencies in a timely manner

- The extent to which an organization embeds the Principles into its operations, activities and culture, is indicative of the effectiveness or deficiency in the organization's System of Internal Control
- The extent to which an organization embeds the Principles into its operations, activities and culture is highly correlated to the risk level and outcomes associated with the achievement or failure of an organization's mission, objectives, and goals.

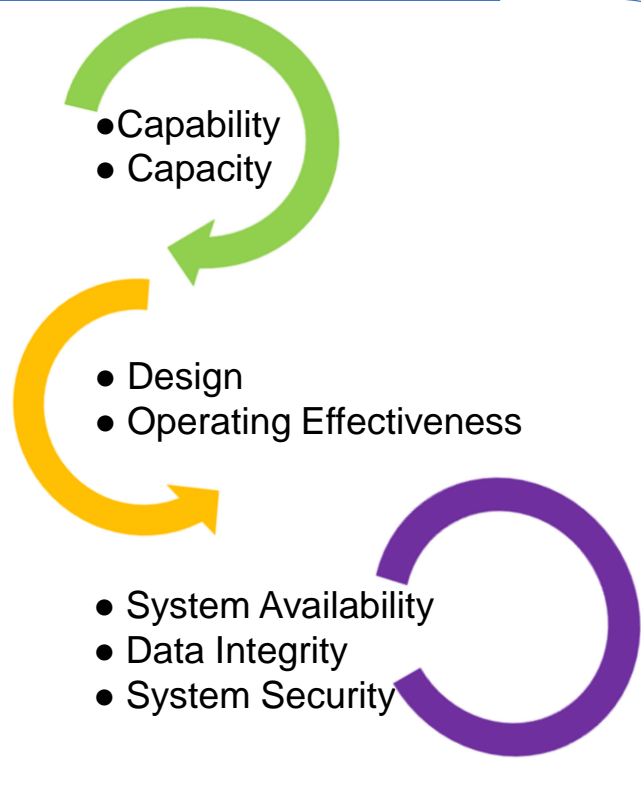
Enablers of a System of Internal Control

(Elements and Attributes)

The Elements



The Attributes



- Capability
- Capacity

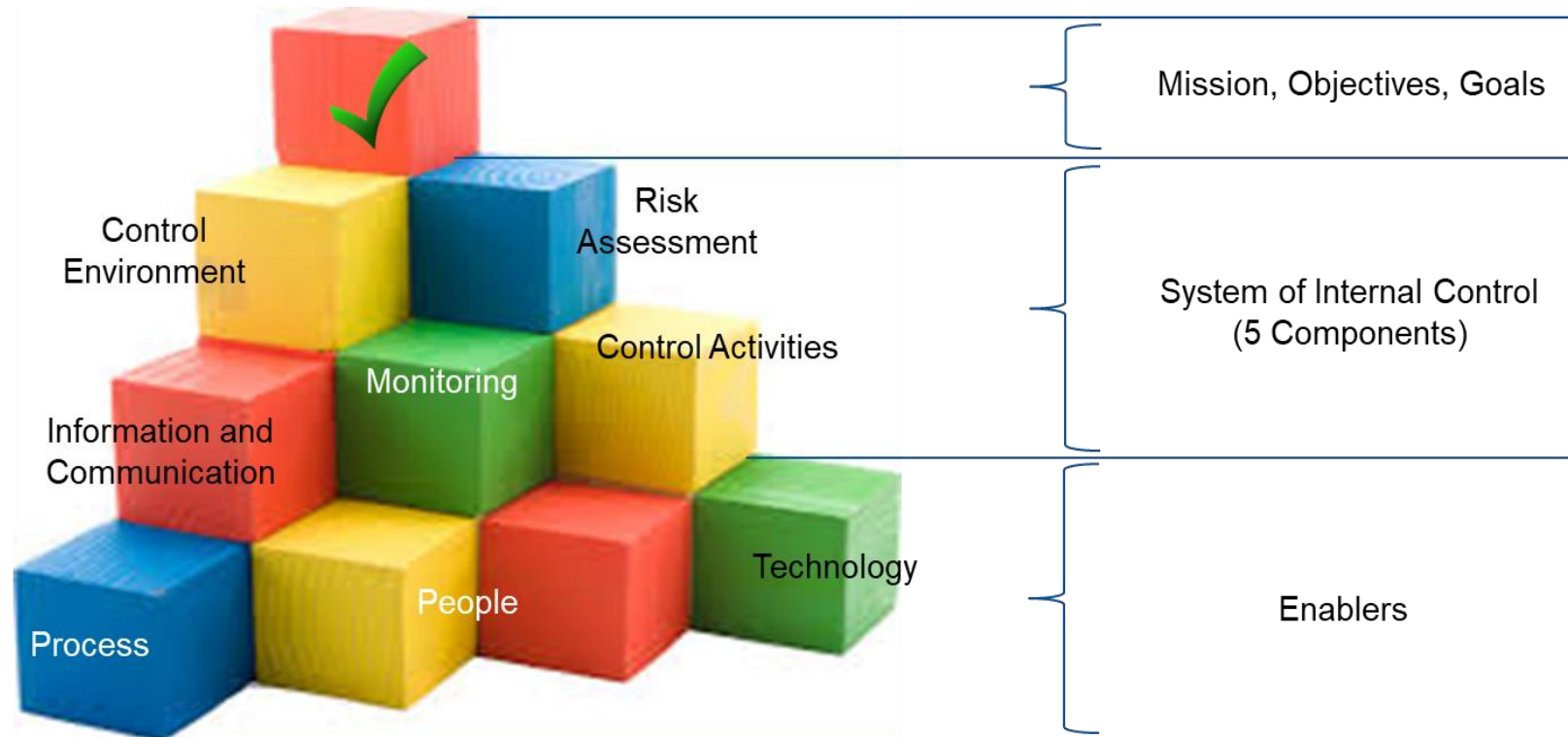
- Design
- Operating Effectiveness

- System Availability
- Data Integrity
- System Security

Impact of Enablers

- Without these collective Elements, nothing within an organization occurs
- Elements and their Attributes may serve, at different times, as an organizational driver, a organizational road block, or an organization's guard rails; they exist within every single organization to varying degrees
- What, How, When, Where, Why Enablers support or impede one another is key to understanding, evaluating and improving the System of Internal Control
- Organizational support or lack thereof with respect to one or more Enablers is the root cause of organizational successes and failures

An effectively functioning System of Internal Control supported by sound Enablers is vital to the successful achievement of an entity's mission, objectives, and goals



The System of Internal Control serves as 'the' critical link between the Enablers and successful achievement of the Mission, Objectives and Goals of an organization. It is a tool which, once understood, can be then used as a diagnostic methodology to evaluate whether the design and interaction between and among the Enablers helps or negatively affects the likelihood of the successful, timely achievement of the organization's Mission, Objectives and Goals

Annual Audit Plan FY2024

Refer to Handout



Questions/Comments

