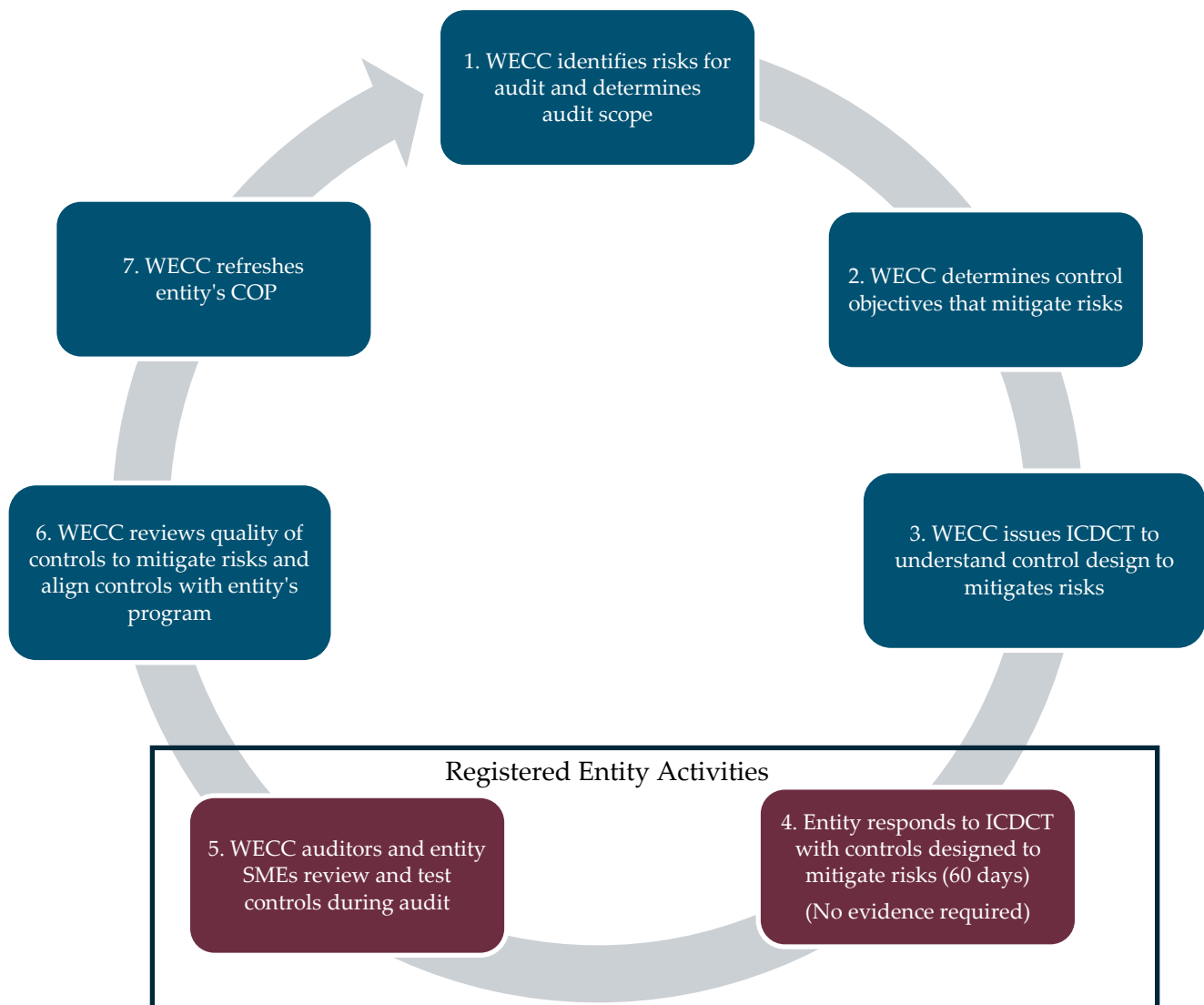


Background

WECC uses the internal controls assessment to determine whether a Registered Entity has designed and put in place effective internal controls to mitigate risks specific to that entity. The assessment is one part of WECC's risk-based compliance monitoring approach.

Risk Analysis Overview



Process

1. Before WECC schedules an audit, it develops an entity-specific Compliance Oversight Plan (COP) based on many factors (e.g., ERO-wide risks, regional risks, entity footprint, topology, geographic location, potential noncompliance (PNC) history).
2. Using the entity-specific risks in the COP, WECC develops an audit scope. WECC also populates the Internal Controls Data Collection Template (ICDCT) with risk categories and control objectives to review during the upcoming audit.
3. WECC sends the ICDCT to the entity as a request for information (RFI) shortly after WECC management's pre-audit call with the entity (via the Secure Workspace). The RFI consists of:
 - a. The ICDCT; and
 - b. A request for the entity's enterprise-wide internal controls program document(s) (if any) to allow WECC to evaluate the quality of the entity's overall internal controls program (not specific internal controls).

Note: An entity is not required to provide evidence regarding its internal controls at this time, though it may choose to do so. If the entity does not have an enterprise-wide internal controls program document, it should inform WECC.

4. The entity completes the ICDCT describing its internal controls to mitigate the risks and accomplish the control objectives.
 - a. The entity completes and returns the ICDCT (via the Secure Workspace) within 60 days of receiving it and provides its enterprise-wide internal controls program documents, if any, at that time. The entity may also provide internal controls evidence.

Note: Instead of providing a completed ICDCT, an entity may describe its controls in a format it already uses (e.g., a database printout, risk matrix, spreadsheet).

5. The completed ICDCT should contain a description of the entity's internal controls design and implementation. WECC staff use the ICDCT to prepare for the upcoming audit as the next step in the assessment.

Note: All SME interviews will be part of the normal audit process.

6. During the audit:
 - a. Auditors interview entity SMEs, evaluate processes, review evidence, etc. for internal controls, including review of evidence demonstrating (beyond the narrative descriptions of internal controls in the ICDCT) the entity implemented its internal controls.
 - b. The auditors conduct a preliminary review of the quality of the design, implementation, and effectiveness of the entity's internal controls.



- c. Through the audit conclusions (recommendations, areas of concern, positive observations), WECC gives a summary of its feedback in a closing presentation to the entity on the effectiveness of the entity's risk mitigation.
7. After the audit, WECC staff members discuss the audit results and internal controls assessment and, ultimately, using all the information associated with the audit, determine whether the controls and implementation evidence reduce the risks and associated operational concerns originally identified in the COP. WECC then revises the COP accordingly (within six months after audit report is issued) before providing it to the entity.

Resources

- [Internal Controls Data Collection Template](#)
- Staff contacts:
 - internalcontrols@wecc.org
- [Audit Timeline](#)

