



Internal Audit Update

December 4, 2015

Agenda

- **Audit Committee schedule**
- **Internal Audit background**
- **Internal Audit charter**
- **FCIAA requirements**
- **Internal Audit resources**
- **Peer review**
- **Risk assessment**
- **Vendor Management and Service Provider Audits**
- **Internal Audit Plan 2016 and 2017**
- **Audit Committee tentative schedules**
- **Next steps – Approval**

Audit Committee

■ December Meeting

- Current state of IA resources
- Approval of Two Year Audit Plan
- Governance issues/concerns

Internal Audit Background

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

Internal Audit Background

The mission of Internal Audit is to assist all levels of the agency in the achievement of the strategic goals and objectives by striving to provide both quality customer service and a positive impact on the efficiency and effectiveness of operational and administrative functions.

Our department achieves this mission by providing ongoing, objective and independent reviews of internal controls and independent appraisals (i.e. audits), analyses and counsel related to the assessment of business risk.

Internal Audit Background

Internal Audit performs its activities in conformance with:

- The Fiscal Control and Internal Auditing Act (FCIAA)
- International Standards for the Professional Practice of Internal Auditing (IIA Standards)
- Code of Ethics of the Institute of Internal Auditors
- State of Illinois Internal Audit Advisory Board (SIAAB)
- Generally Accepted Government Auditing Standards (GAGAS)

IA Charter

- **The IA Charter outlines IA's:**

- Purpose
- Accountability and authority
- Responsibilities
- Scope of work
- Independence
- Reporting process
- Periodic assessments

Fiscal Control and Internal Auditing Act (FCIAA)

■ FCIAA Requirements include:

- Two-year audit plan
- Cycle audits
- Special audits/vendor audits
- System pre-implementation reviews
- Agency certification letter to Auditor General

Internal Audit Resources

- Chief of Internal Audit
- Internal Audit Manager
- Internal Auditors (three staff auditors)
- Information Systems Auditor
- Construction Auditor (*budgeted for 2016*) – vacant
- Executive Assistant - vacant

Peer Review – External Quality Assurance Review

- Once every five years, IA undergoes a quality assurance review on its effectiveness as required by the standards of the Institute of Internal Auditors and FCIAA
- Results from the September 26, 2014, External Quality Assurance Report approved by SIAAB in October 2014 indicate:
 - *The Illinois State Toll Highway Authority's Internal Audit Department **generally conforms** with the Institute of Internal Auditors Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing Standards effective January 1, 2013, and complies with the Fiscal Control and Internal Auditing Act (FCIAA)*
- Evaluation resulted in the highest evaluator compliance rating

Annual Risk Assessment

■ Risk assessment objectives

- Gain an understanding of the risks that threaten the Tollway's achievement of strategic objectives
- Document the risks and map them against potential Internal Audit projects to create the auditable risk profile
- Prioritize the auditable risk profile by ranking the risks associated with each auditable unit based on the likelihood of occurrence and severity of impact to the Tollway
- Develop a risk-based, multi-year Internal Audit plan based on audit types

Annual Risk Assessment

- **Must balance the requirements of the Fiscal Control and Internal Auditing Act (FCIAA) and the International Standards for the Professional Practice of Internal Auditing (IIA Standards), published by the Institute of Internal Auditors (IIA)**
- **Audit activity was identified by using the following methods:**
 - Conducting an agencywide risk assessment
 - Reviewing prior findings from external and internal audits
 - Consulting with executive staff, management and auditor judgement

Vendor Management and Service Provider Audits

Vendor audits can identify potential cost recoveries and highlight areas of contractual non compliance

- **Vendor audit services include service level agreement (SLA) audits, construction audits, joint venture audits and vendor contract audits**
- **Provides appropriate oversight and risk management of significant third party relationships**
 - Vendors with access to customer information
 - Vendors deemed to be mission critical

2016 Internal Audit Plan

Internal Audit Resource Availability and Allocation – 2016

Allocation of Available Hours		
Mandatory Internal control reviews	3,280	30 percent
Management, training and administration	2,954	27 percent
Risk based reviews of external parties	2,200	20 percent
Internal Audit risk-based reviews	1,230	11 percent
Internal Audit special projects	585	5 percent
Mandatory systems meetings	505	5 percent
OIG investigations	299	3 percent
Total Hours 2016	11,053	100 percent

* Numbers may not add to total due to rounding

Presented by Cassandra Rouse on December 4, 2015



2017 Internal Audit Plan

Internal Audit Resource Availability and Allocation – 2017

Allocation of Available Hours		
Risk-based reviews of external parties	2,980	26 percent
Mandatory internal control reviews	2,520	23 percent
Management, training and administration	2,212	20 percent
Internal Audit risk-based reviews	1,430	13 percent
Internal Audit special projects	1,020	9 percent
Mandatory systems meetings	505	6 percent
OIG investigations	300	3 percent
Total Hours 2017	11,102	100 percent

* Numbers may not add to total due to rounding

Audit Committee Tentative Schedules

■ April/May 2016

- Summary of Internal Audit purpose, authority, responsibilities and performance relative to plan
- Internal Audit activities results from prior year, including risk exposure and/or control issues
- Governance issues/concerns

Next Steps

Audit Committee Approval

- 2016-2017 Internal Audit Plan



THANK YOU



Appendix

2015-2016 Internal Audit Plan

Resource Availability and Allocation - 2015

Allocation of Available Hours		
Mandatory systems meetings	480	4 percent
Mandatory internal control reviews	2,270	20 percent
Internal Audit risk based reviews	2,630	24 percent
Internal Audit special projects	960	9 percent
Risk-based reviews of external parties	2,250	20 percent
OIG investigations	300	3 percent
Management, training and administration	2,212	20 percent
Total Hours 2015	11,102	100 percent