



Internal Audit Update

August 15, 2011

Presented by Mike Fudali on 8/15/11

Agenda

- 2010 External Audit
- Self Assessment of Internal Audit Department
- Internal Audit Charter Updates
- Go - Forward Goals

2010 External Audit

- Yearly engagements by Special Assistant Auditors for the Auditor General
- Final year of six-year cycle for McGladrey & Pullen on engagement
- Internal Audit to coordinate with Auditor General going forward

2010 External Audit, continued

- Examination of Tollway compliance
- Audit of basic financial statement
- No material audit findings - first time in Tollway history

Self Assessment - Overview

- Performed due to Institute of Internal Audit (IIA) standard changes and Internal Audit resource changes - new Chief Internal Auditor
- Completion of State Internal Audit Advisory Board quality assurance matrix
- Verifies Internal Audit Department in conformance with IIA and Fiscal Control and Internal Auditing Act standards, as well as IIA Code of Ethics

Self Assessment - Output

■ Updated:

- Internal Audit charter
- Internal Audit manual
- Job descriptions
- Updates to audit programs
- Work papers serving as guide for next external review

Internal Audit Charter - Purpose

- Removed “Mission” from section title
- Specified Internal Audit function throughout all sections of charter
- Audits of major systems performed on a periodic (two-year cycle) basis

Internal Audit Charter - Accountability and Authority

- Added “Accountability” to section title
- Administrative reporting to Executive Director/ functional to Audit Committee
- Specified access to Chair and Board
- Clarified open access for Internal Audit to systems and records of Tollway and its agents

Internal Audit Charter - Responsibilities

- Clear reference to State Internal Audit Advisory Board
- Specific mention of proficiency and due professional care on engagement performance
- Corrected Governmental Accounting Standards Board to Generally Accepted Government Auditing Standards

Internal Audit Charter - Scope

- Risk management and governance examination/evaluation included
- Contractors and subcontractors added to testing scope
- Follow-up on findings implementation or risk acceptance with management
- Defining nature of consulting services and required independence

Internal Audit Charter - Independence

- Removed language concerning information confidentiality and management response
- Specific language on independence from system/procedural installation and engagement in other auditable areas
- Disclosure of impairment to independence or objectivity

Internal Audit Charter - Reporting

- Included language concerning information confidentiality and management response, including management disagreement with report findings
- Documented results of assurance and consulting services

Internal Audit Charter - Periodic Assessment

- Two-year plan to be approved by Audit Committee
- Need for changes on Internal Audit charter or unresolved audit issues to be communicated to Executive Director in addition to Audit Committee

Go - Forward Goals

- Audits of major systems of internal accounting and administrative control
- Additional audits based upon risk assessment, management concerns and results of cycle audits
- Coordination of external audits
- Contract compliance reviews and partnership with Tollway Inspector General

Go - Forward Goals, continued

- Ensure appropriate staffing to perform assigned duties
- Confirmation with Executive Director and Audit Committee on:
 - Internal Audit independence
 - Yearly audit plan
 - Internal Audit purpose, authority and responsibilities
 - Risk exposures and control issues
 - Senior management and Board requests