Internal Audit Department

April 19, 2017

Agenda

Internal Audit (IA) purpose, authority and responsibility

Internal Audit activity

Cycle audits

Internal Audit and ERP pre-implementation activity

Department resources

Purpose, Authority and Responsibility

Statement of Responsibilities

Purpose:

- Independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization

- Assists members of the organization in the effective discharge of their responsibilities

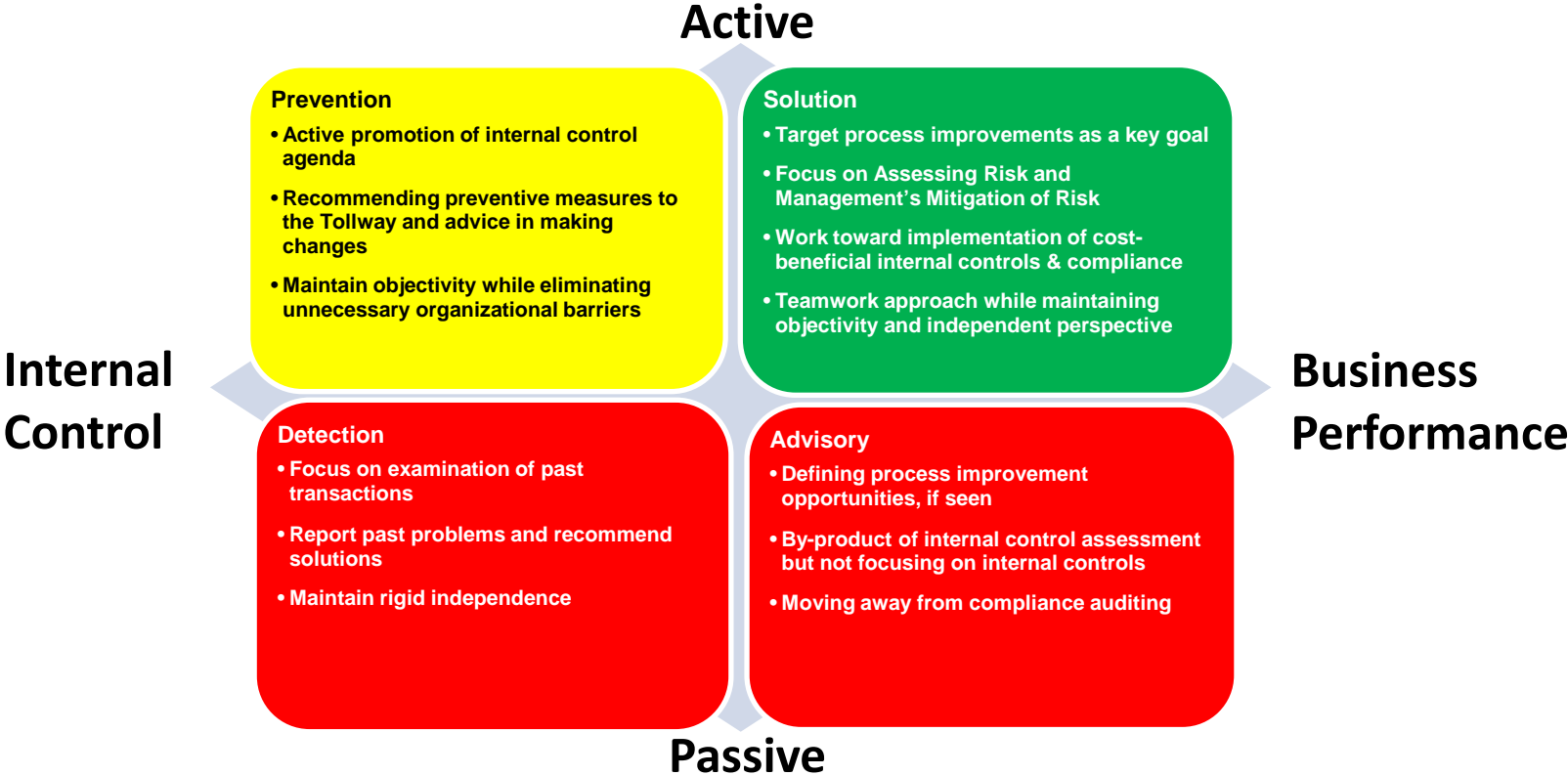- Promotes control at a reasonable cost

Purpose, Authority and Responsibility
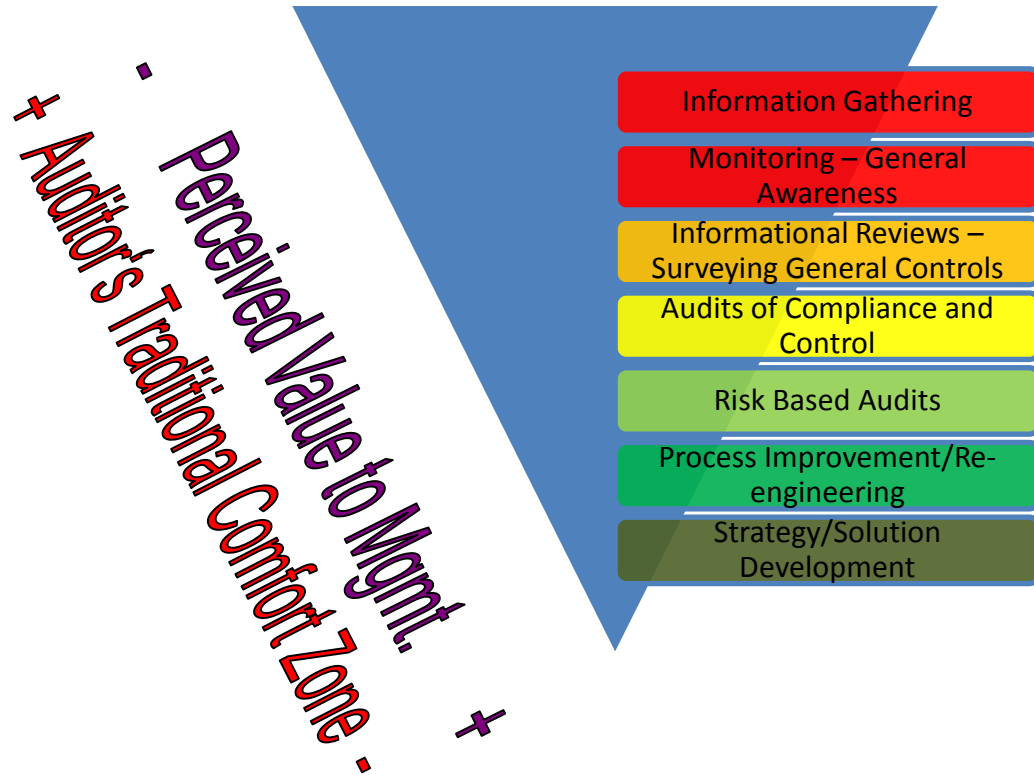
Responsibility:

- Review the reliability and integrity of financial and operating information

- Review fiscal, operational and administrative operations

- Review systems established to ensure compliance with policies, plans, procedures, laws and regulations that could significantly impact operations

- Evaluate the effectiveness and efficiency with which resources are employed

Primary Mission - Four Potential Orientations

Active

Internal Control

Business Performance

Passive

Prevention
- Active promotion of internal control agenda
- Recommending preventive measures to the Tollway and advice in making changes
- Maintain objectivity while eliminating unnecessary organizational barriers

Solution
- Target process improvements as a key goal
- Focus on Assessing Risk and Management's Mitigation of Risk
- Work toward implementation of cost-beneficial internal controls & compliance
- Teamwork approach while maintaining objectivity and independent perspective

Detection
- Focus on examination of past transactions
- Report past problems and recommend solutions
- Maintain rigid independence

Advisory
- Defining process improvement opportunities, if seen
- By-product of internal control assessment but not focusing on internal controls
- Moving away from compliance auditing

Audit Focus - Peeling the Onion

Perceived Value to Mgmt.

Auditor's Traditional Comfort Zone

- Information Gathering
- Monitoring – General Awareness
- Informational Reviews – Surveying General Controls
- Audits of Compliance and Control
- Risk Based Audits
- Process Improvement/Re-engineering
- Strategy/Solution Development

Internal Audit Activities

Interviewing key staff and management

Observing established procedures

Examining supporting documentation and evidential materials

Documenting organizational control activities

Performing analytical reviews

Internal Audit Activities

Compile supporting workpapers

Preparing the audit report and recommendations

Holding a closing conference to discuss the audit and obtain responses to the recommendations

Issuing the final audit report including management responses

Performing a follow-up review in six months

Resulting Value of Our Audit Approach

Tollway management had a direct hand in identifying key areas of risk and setting the scope of reviews through our risk assessment methodology = BUY-IN

Audit plan and program seen as valuable, useful, on-target, focusing on what matters

Action plan becomes a management tool, not just an audit report

Guiding the organization in developing a plan to manage its risks

2016 Cycle Audits Completed

Title of Audit	Findings
Electronic Data Processing	2
Administrative Support Services	7
Budget, Accounting and Reporting	0
Property, Equipment and Inventory	3
Revenues and Receivables	2
Petty Cash (If disbursements exceed $5,000)	N/A

2017 Cycle Audits

Title of Audit
Agency Organization and Management
Purchasing, Contracting and Leasing
Expenditure Control
Personnel and Payroll
Petty Cash (if disbursements exceed $5,000)

Internal Audit Activity

2016

- Annual certification letter

- Risk-based reviews

- External audit coordination

- Cycle audits

- Payment card industry audit coordination

- Pre-implementation review of critical system

Internal Audit Activity

Audit recommendations and observations are being appropriately addressed by management and have been implemented or are scheduled for implementation in 2017

Internal Audit is organizationally independent and no restrictions have been placed on Internal Audit work

Internal Audit and ERP Pre-Implementation

Internal Audit must address ERP environment in several respects

- Training
- Staffing
- Implementation approach
- Audit methodology
- Roles for auditor

Internal Audit Resources

Chief of Internal Audit

Internal Audit Manager

Internal Auditors (two staff auditors)

Vacancies – *three positions*