



INTERNAL AUDIT UPDATE

Shaun Farmer – Chief Internal Auditor
December 19, 2024

AGENDA

Current State of Internal Audit

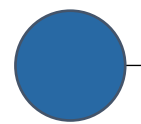
- ▶ Key Board Updates
- ▶ Internal Audit Charter
- ▶ Internal Audit Resources
- ▶ Audit Plan Considerations
- ▶ Internal Audit Plan
- ▶ Audit Department Highlights



2025 KEY UPDATES

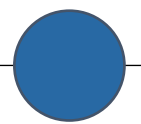


Tentative Agenda Items



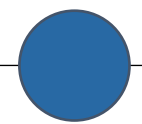
APRIL

- Summary of Internal Audit purpose, authority and responsibility
- Audit activities update
- Governance issues/concerns
- Internal control program updates

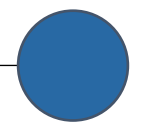


JUNE

- Internal control program updates



SEPTEMBER



DECEMBER

- Current state of Internal Audit resources
- Approval of two-year audit plan
- Audit charter review *(if needed)*

GLOBAL INTERNAL AUDIT STANDARDS

5 Domains, 15 Principles, 52 Standards

Domain I: Purpose of Internal Auditing

Domain II: Ethics and Professionalism

- *Principle 1: Demonstrate Integrity*
- *Principle 2: Maintain Objectivity*
- *Principle 3: Demonstrate Competency*
- *Principle 4: Exercise Due Professional Care*
- *Principle 5: Maintain Confidentiality*

Domain III: Governing the Internal Audit Function

- *Principle 6: Authorized by the Board*
- *Principle 7: Positioned Independently*
- *Principle 8: Overseen by the Board*

Domain IV: Managing the Internal Audit Function

- *Principle 9: Plan Strategically*
- *Principle 10: Manage Resources*
- *Principle 11: Communicate Effectively*
- *Principle 12: Enhance Quality*

Domain V: Performing Internal Audit Services

- *Principle 13: Plan Engagements Effectively*
- *Principle 14: Conduct Engagement Work*
- *Principle 15: Communicate Engagement Results and Monitor Action Plans*

Internal Audit performs audit activities in conformance with the Institute of Internal Auditors' (IIA) Global Internal Audit Standards (GIAS). The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function.

NEW 2024 INSTITUTE OF INTERNAL AUDITORS STANDARDS

In January 2024, the IIA released updated Internal Audit Standards, which become effective on January 9, 2025. Internal Audit reviewed the new standards and updated processes and documentation to reflect the new standards.

Changes Between the 2017 and 2024 Standards Include:



Governance and Oversight: Emphasizing governance and oversight by the Board and senior management



Internal Audit Purpose and Strategy: Defining and communicating its purpose and strategy



Continuous Improvement: Formally setting goals and periodically assessing its performance



Stakeholder Coordination: Promoting enhanced coordination for better planning, delivery and evaluation projects



Use of Technology: Encouraging the use of technology to support the internal audit function

How We've Addressed the New Standards

- ✓ Performed change analysis
- ✓ Adopted enhanced communications
- ✓ Solicited organization-wide feedback
- ✓ Updated documentation
- ✓ Solicited feedback from peer organizations
- ✓ Updated Internal Audit Charter

INTERNAL AUDIT CHARTER

Purpose

Accountability and
Authority

Responsibilities

Scope Of Work

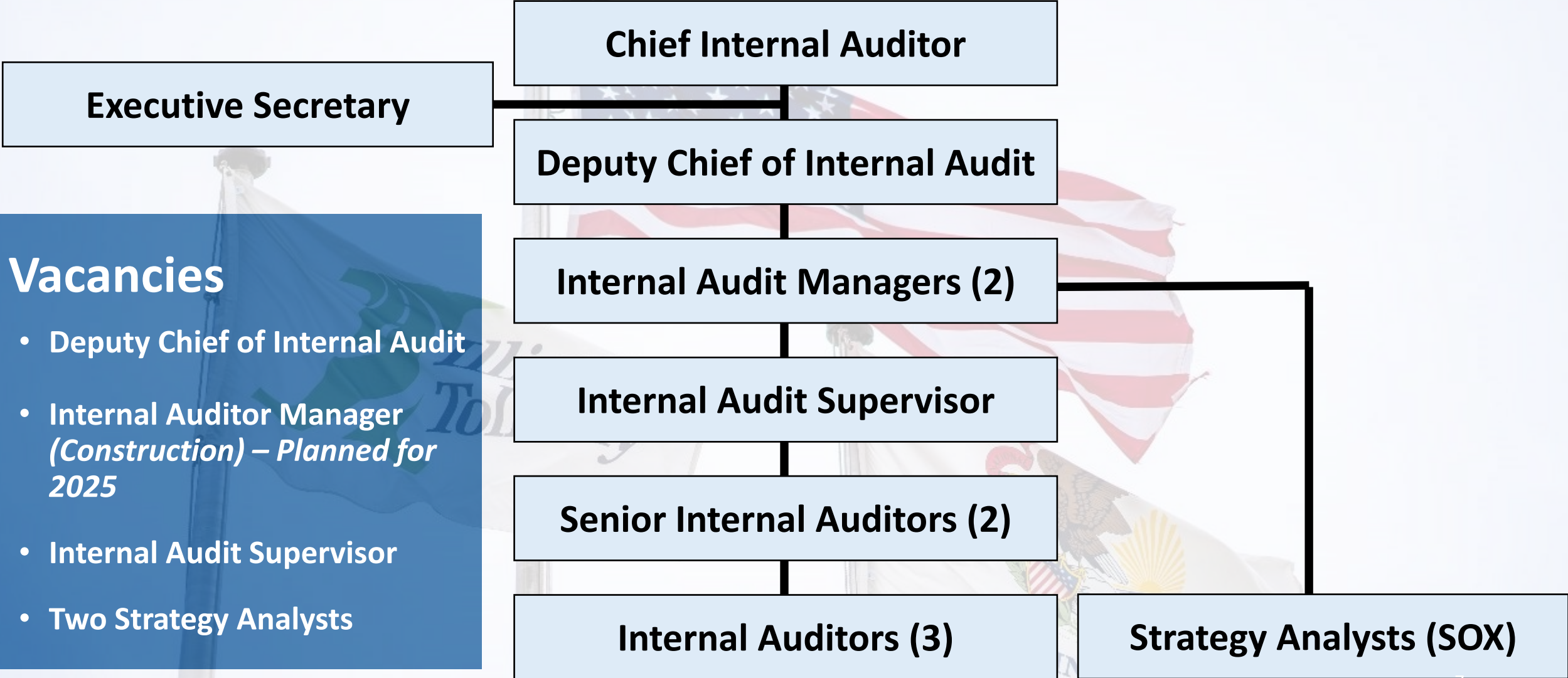
Independence

Reporting Process

Periodic
Assessments

Internal Audit confirms that there are no significant facts or matters that impact or impair our independence as auditors

DEPARTMENT ORGANIZATION



Vacancies

- Deputy Chief of Internal Audit
- Internal Auditor Manager *(Construction) – Planned for 2025*
- Internal Audit Supervisor
- Two Strategy Analysts



AUDIT PLAN

Annual Ongoing Risk-Based Exercise

1 Determine possible areas of concern

2 Identify potential risk areas for consideration in annual audit plan

3 Examine resources/skillset across internal audit staff

Key Factors

- ✓ Potential for impact on agency policies and procedures
- ✓ Changes in systems, processes, policies or procedures
- ✓ Results and time since last audit engagement
- ✓ Extent of government regulation
- ✓ Information and communication
- ✓ Transaction volume
- ✓ Staffing levels

CYCLE AUDIT SCHEDULE



Personnel and Payroll



Purchasing, Contracting and Leasing



Organization and Management



Expenditure Control



Petty Cash (*If Disbursements Exceed \$5,000*) **OR**
Grant Administration (*If Tollway Receives Any Grants*)



Revenues and Receivables



Property, Equipment and Inventories



Budget, Accounting and Reporting



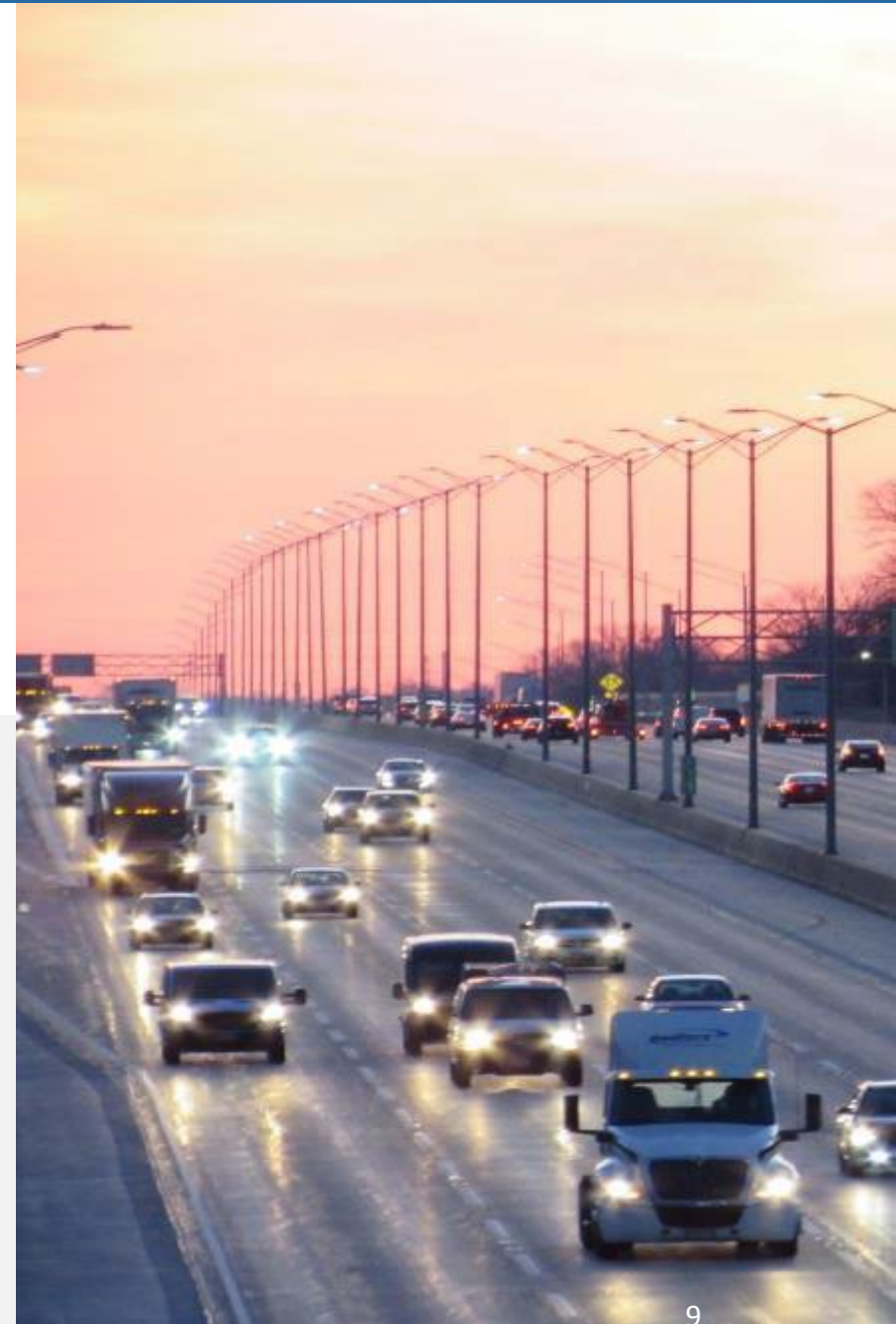
Electronic Data Processing



Administrative Support Services

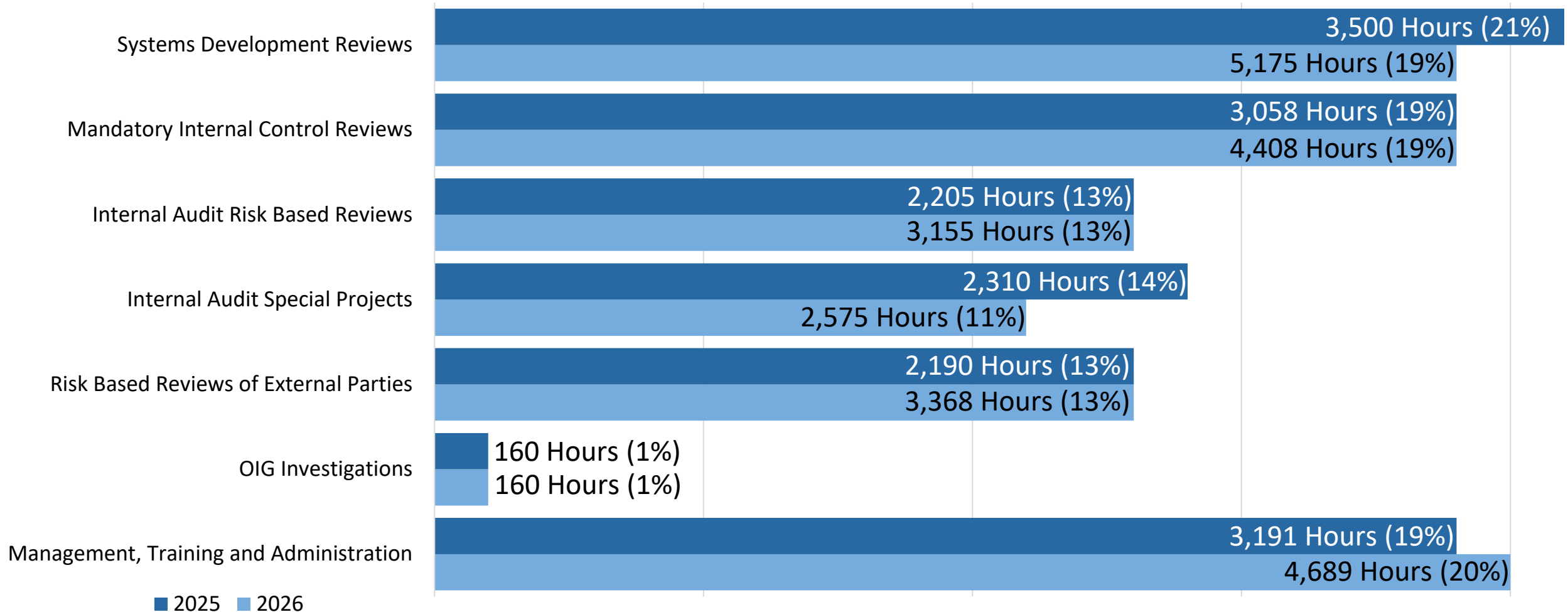
2025

2026



2025/2026 INTERNAL AUDIT PLAN

Allocation of available hours





2024 AUDIT ACTIVITY HIGHLIGHTS

- ✓ Completed all required cycle audits
- ✓ Performed reviews of Procurement, Engineering, IT, contractors and key risk areas
- ✓ On-time submittal of annual internal control certification letter (*Auditor General*)
- ✓ Partnered with business units on various strategic initiatives
- ✓ Annual September 30 letter to executive management
- ✓ Successfully completed peer review and obtained highest rating
- ✓ Updated processes and documentation to reflect new IIA standards
- ✓ Represented Tollway as audit and risk industry leader at multiple events



2024 AUDIT ACTIVITY HIGHLIGHTS

- ✓ Continued support of the Tollway's Enterprise Risk Management, SOX, and third-party risk management programs
- ✓ Continued efforts on prevailing wage compliance
- ✓ Oversight of Tollway's annual PCI review
- ✓ Assisted a state agency in completion of their required peer review
- ✓ Assisted multiple state agencies in their adoption and implementation of new IIA standards
- ✓ Enhanced training opportunities and skills
- ✓ Actively managed open audit findings and partnered with business for closure
- ✓ Assisted with liaison activities for the 2023 annual external audit



THANK YOU