



# INTERNAL AUDIT

## *External Audit Results*

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# AGENDA

**Auditor General/External Auditor relationship**

**Auditor General communication commitments**

**External Audit core elements**

**External Audit highlights**

**Audit takeaways**

**Audit findings results**

Note: The audit is the work of the external auditors and some questions may need to be relayed to them in order to obtain a sufficient answer



# AUDITOR GENERAL/EXTERNAL AUDITOR RELATIONSHIP

**Auditor General performs audits of all Illinois State agencies**

**Competitive bid process for engaging public accounting firms to perform the Tollway audit**

**Engaged Clifton, Larsen, Allen, LLP (special assistant auditors) to perform audit**

- Tollway interacts with the Auditor General and CLA for the audit



# EXTERNAL AUDIT KEY AREAS OF FOCUS

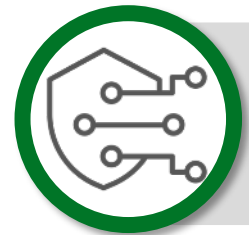
## Three component areas of the audit



**Financial**



**Compliance**



**Information Technology**



# AUDITOR GENERAL COMMUNICATION COMMITMENTS

## **Fraud**

- Involving senior management, material misstatement, noncompliance, abuse

## **Significant deficiencies/weaknesses**

## **Oversight of financial reporting process**

## **Corrected misstatements**

- Proposed corrections recorded that may have not been detected except through the audit

## **Uncorrected misstatements**

- Individual or aggregated transactions not corrected due to immaterial nature

## **Disagreements with management**

## **Other matters requiring communication by U.S. auditing standards**

# EXTERNAL AUDITOR INDEPENDENCE POLICIES

**Procedures comply with applicable professional independence standards**

**Address financial interests, business/personal relationships and non-audit services that may be a threat to independence**

**External audit firm and Auditor General restrict certain non-audit services that may be provided and require the agency to accept responsibilities**



# PLANNING THE TOLLWAY'S AUDIT

**Meet with the Office of Auditor General, the Board of Directors and with executive staff to obtain an understanding of business objectives, strategies, risks and performance**

- Strong emphasis on understanding how the Tollway functions
- Identify key audit components and tailor procedures to the unique aspects of the Tollway

**Obtain understanding of internal controls**

- Assess impacts determining the nature, timing, and extent

**Establish overall materiality limit for the audit**

**Inform Tollway executive staff of individual unrecorded misstatements**

- Aggregated as a result of test work

# FINANCIAL AUDIT OBJECTIVES

## **Audit of the financial statements includes:**

- External auditors obtaining an understanding of sufficient internal controls
- Determination of the nature, timing and extent of audit procedures to be performed

**Not designed to provide assurance on internal controls or to identify significant deficiencies or material weaknesses**

**Review and understanding of internal control environment**





# FINANCIAL AUDIT OBJECTIVES

## Audit complies with

- U.S. Generally Accepted Accounting Principles (GAAP)
  - Governmental Accounting Standards Board (GASB)
  - Comptroller General of the United States
  - Illinois State Auditing Act
- 
- *Due to inherent limitations of an audit and internal control, unavoidable risk exists of some material misstatements going undetected despite proper planning and performance in accordance with GAAP*



# STATE COMPLIANCE OBJECTIVES

**Report on whether the Tollway reported revenues and receipts, money and other assets, in compliance with applicable laws and regulations**

- Including the Statewide Accounting Management System (SAMS)

**Designed to obtain reasonable assurance of no material misstatement**

**Does not provide a legal determination of the Tollway's compliance with specified requirements**

- Because of inherent limitations, unavoidable risk exists that some material misstatements may not be detected

**State compliance examination included consideration and testing of Tollway's internal controls over compliance**

- In accordance with the Audit Guide



# REQUIRED SUPPLEMENTARY INFORMATION

## **Accounting standards generally accepted provide Required Supplementary Information (RSI) to the Tollway's basic financial statements**

- Management's Discussion and Analysis (MD&A)
- Required by the GASB

## **Certain limited procedures applied to Tollway's RSI with auditor's engagement**

- Inquiries of management regarding preparation of information methods
- Comparing the information for consistency with management's responses to inquiries, basic financial statements, and other knowledge obtained during the audit
- Presented for additional analysis for State Compliance purposes as prescribed by the Audit Guide

**The external auditors do not express an opinion or provide any assurance on RSI and schedules marked "not examined" or "unaudited"**

# TOLLWAY MANAGEMENT RESPONSIBILITIES

**Prepare supplementary information**

**Basic financial statements**

**Adjustments or corrections**

**Establishment and maintenance of records**

**Effective internal controls**

**Confirm uncorrected misstatements**

**Design and implementation of fraud prevention program**

**Written response of findings**



# ENGAGEMENT ADMINISTRATION

## Documentation is confidential during audit

- Any legal or regulatory information that needs to remain confidential must be identified to the auditors

## Audit Report and supporting documentation are public post-audit

## Auditors read minutes of Board meetings

- Ensures consistency
- Properly informs the Board, copies of written communication received

## Determine if the Board is informed of the following by management

- Changes in accounting polices or application
- Methods used for unusual transactions
- Significant accounting policy effects

# 2019 EXTERNAL AUDIT REPORT HIGHLIGHTS

## Financial Audit

- Tollway received highest achievable rating; an unmodified opinion on the financial statement audit
- Auditors opined both Tollway financial statements and supplementary information were presented fairly
- No financial statement findings for FY 2019



# 2019 EXTERNAL AUDIT REPORT HIGHLIGHTS

## Compliance Audit

- External auditors opined the Tollway was compliant with requirements
- No deficiencies identified as material weakness
- Instances of noncompliance
- Supplementary information in Schedules 1 and 2 are fairly stated



# 2019 EXTERNAL AUDIT TAKEAWAYS

Accounting policies

Accounting estimates

Financial statement disclosures

Uncorrected misstatements

Corrected misstatements

No disagreements with management





# EXTERNAL AUDIT FINDINGS

## Findings are rated as follows:

- **Material weakness:** reasonable possibility that a material misstatement in the financial statements will not be prevented, detected, or corrected on a timely basis
- **Significant deficiency:** less severe than a material weakness, yet important enough to merit attention by those in charge of governance



# 2019 EXTERNAL AUDIT RESULTS

FINDING NUMBER	FINDING TITLE	FINDING RATING	
		MATERIAL WEAKNESS	SIGNIFICANT DEFICIENCY
2019-001	Consistent and timely retention of I-9 Forms		X
2019-002	Consistent approval of time cards		X
2019-003	Electric vehicle charging station installation		X
2019-004	Consistent and timely response to Inspector General Report		X
2019-005	Consistent and timely payment of vendor invoices		X

THANK YOU

