

# Planning presentation to Board of Directors

Prepared for Brazos River Authority

September 26, 2022

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## Presentation overview

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## Engagement team



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# Scope

## Deliverable 1

Audit of the financial statements in accordance with auditing standards generally accepted in the United States of America.

We will perform the financial statement audit in accordance with auditing standards generally accepted in the United States of America (GAAS) in order to obtain reasonable, rather than absolute, assurance that Brazos River Authority's (the Authority's) basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are free from material misstatement, whether due to fraud or error.

## Deliverable 2

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

## Deliverable 3

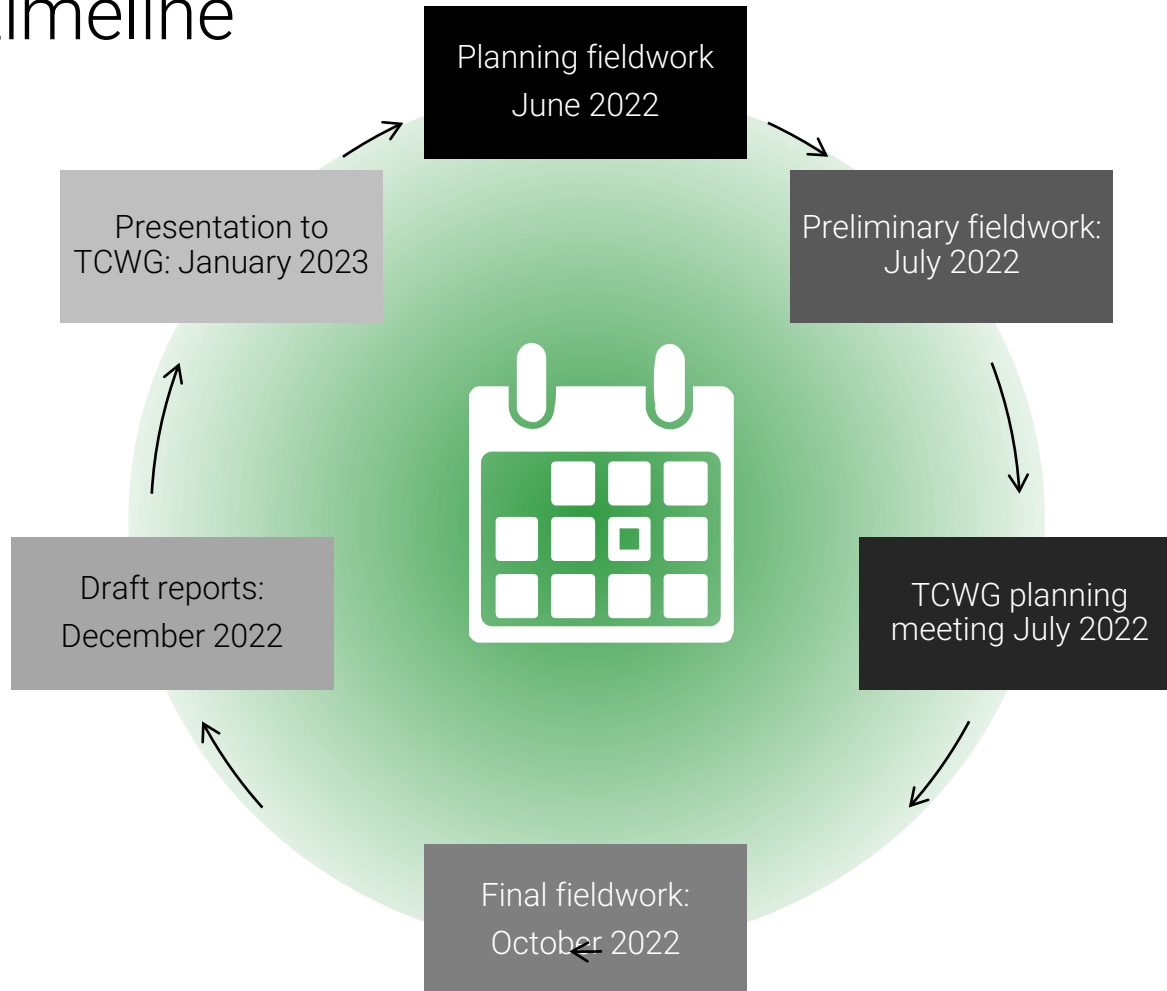
Report on Compliance for Each Major Federal and Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance, if applicable.

## Scope (cont.)

### Other deliverables

- Audit Results Letter
  - AU-C 260 - Communications to Those Charged With Governance
  - AU-C 265 - Internal Control Related Matters (if applicable)

# Audit timeline



## Required communication

### Audit planning considerations

- Approach to assessing risks of material misstatement
- Approach to internal control
  - We do not express an opinion on effectiveness of internal control
- Materiality
- We communicate with management, unless otherwise directed

### Review of engagement letters

- Management and governing board responsibilities
  - Responsibility for appropriateness and quality of accounting policies and practices
  - Responsibility for identifying government programs and ensuring compliance with federal regulations
- Auditor responsibilities
  - Form and express opinion on financial statements
  - Reporting on other information included in the financial statements



# Required communication

## Other Items for consideration:

- Independent with respect to the Authority
- We ask the Board for input on any audit matters
- Board input does not change our responsibility as the auditor to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary
- Use of specialists
- Significant risks:
  - Management override of controls
  - Improper revenue recognition due to fraud





# Required communication


## Consideration of fraud

Under AICPA audit standards we are required to make inquiries of management, and those charged with governance to obtain their views about the risk of fraud and how those risks are addressed. Questions we must ask include:

- Does the Board or Management have knowledge of any fraud or suspected fraud?
- Were any items reported under the Organization's whistleblower policy in the past year?
- What are the Board's and Management's views about the risks of fraud within the Organization, grant compliance and the tax return (any areas of concern or focus)?
- Are there any matters that the members of the Board or Management believe warrant attention by the auditors?



# Areas of audit emphasis



Internal control over financial reporting

Review application and disclosures for new accounting standards adopted

Consideration of fraud risks

Information technology


Confirmation of cash, investments, and debt

Revenue recognition

Payroll and other expenses

Capital assets and A/D

Unearned revenues



Pension liability/asset and deferrals

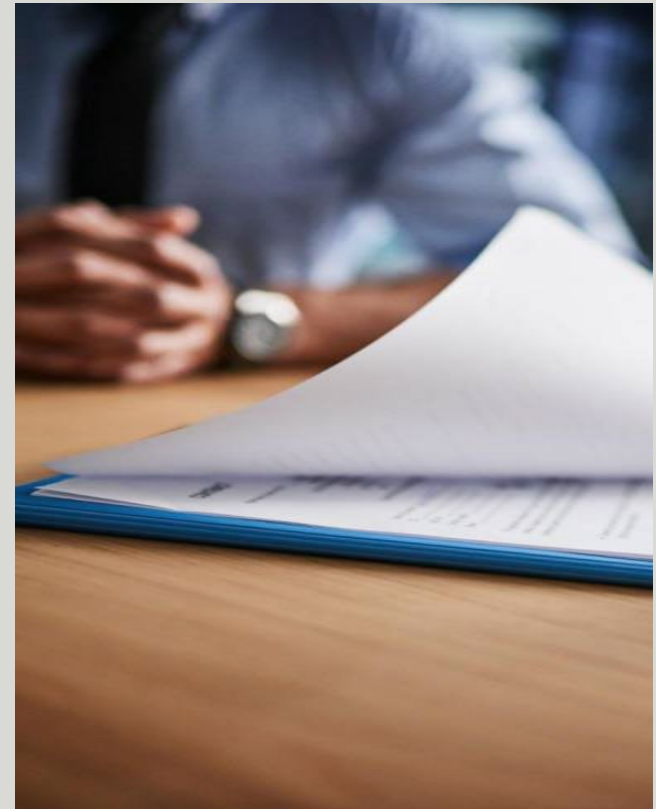
Fair value measurements and disclosures (alternative investments)

Tests of compliance over certain provisions of laws, regulations, contracts, and grant agreements

Review, recompute and substantiate financial statement amounts and disclosures

## Areas of audit emphasis: Federal and State Award Programs Audit (if required)

- Major programs
- Sample sizes are determined by higher risk areas, likelihood of fraud, likelihood of error, or prior noncompliance.
- Test of compliance with certain provisions of laws, regulations, contracts and grants.



The OMB Compliance Supplement is typically released annually, in July for the preceding fiscal year. Therefore based on fieldwork dates, revisions to tests of compliance may be necessary.

# Audit plan

Planning and interim fieldwork	Final fieldwork	Audit completion
<ul style="list-style-type: none"> <li>– Establish materiality level</li> <li>– Update internal controls evaluation and testing</li> <li>– Review board minutes</li> <li>– Identify, assess and respond to risk of material misstatement</li> <li>– Update permanent file</li> <li>– Perform other procedures as considered appropriate</li> </ul>	<ul style="list-style-type: none"> <li>– Procedures will be based on analysis of controls and risks identified at interim work</li> <li>– Substantive tests               <ul style="list-style-type: none"> <li>– Cash and investments</li> <li>– Property and equipment</li> <li>– Expenditures</li> <li>– Compliance</li> </ul> </li> <li>– Audit financial statements and footnotes provided by management</li> </ul>	<ul style="list-style-type: none"> <li>– Review draft of financial statements</li> <li>– Draft other deliverables</li> <li>– Obtain attorney's response letters, if applicable</li> <li>– Review management's evaluation of subsequent events</li> <li>– Obtain management representation letter</li> <li>– Meet with management and Board of Directors</li> </ul>





## **Audit committee resources**

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

[Visit the resource page.](#)

A person is seen from behind, holding a large white sheet of paper in a modern office setting. The background features a large window with a view of a cityscape, including several tall buildings. The scene is brightly lit, suggesting a sunny day. A small green horizontal bar is visible above the white sheet of paper.

Questions?

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