

BRAZOS RIVER AUTHORITY

Presentation of 2018 Audit Plan and Approach



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Introduction

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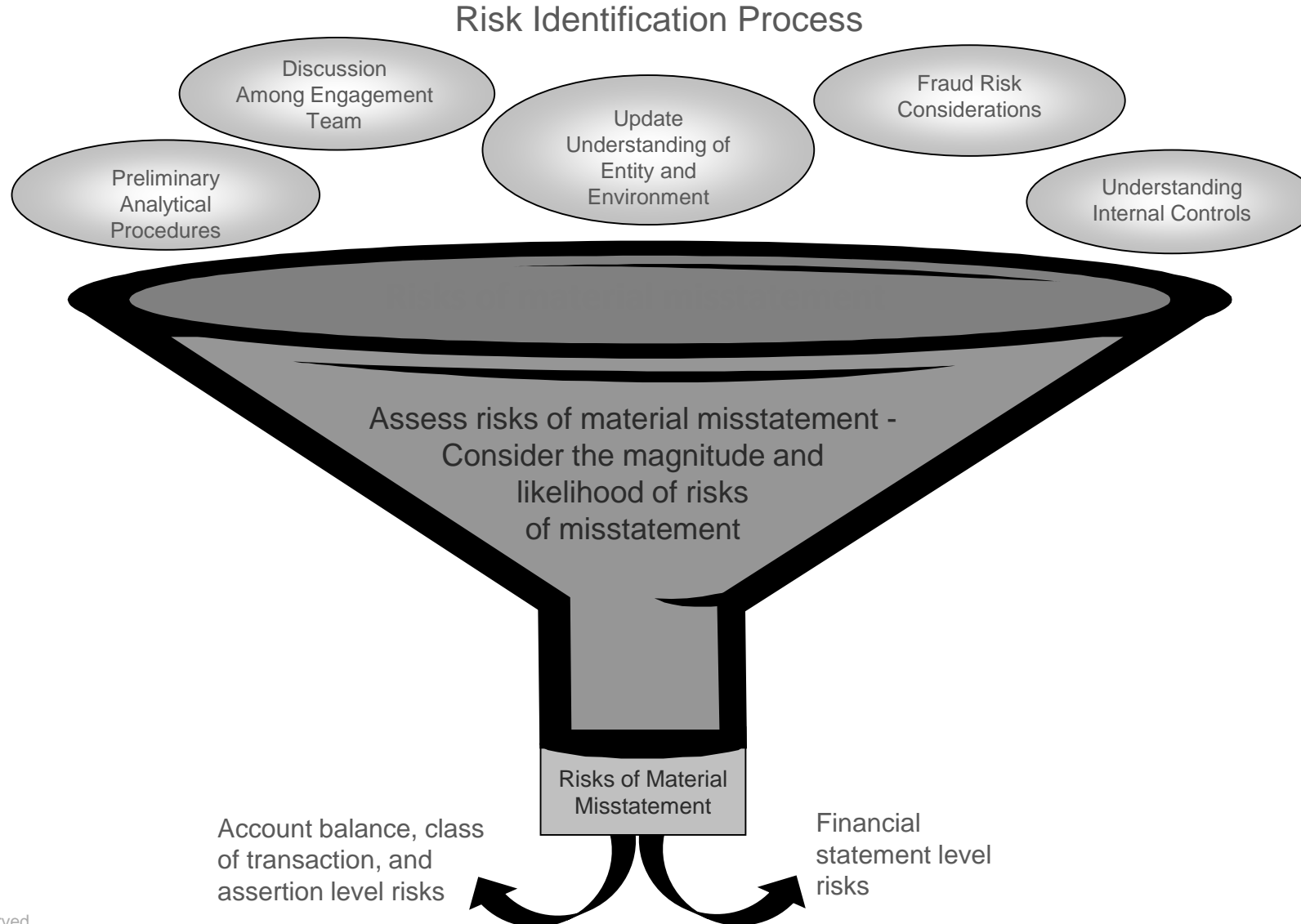
Communications Between Board and RSM

- Auditor to Board
 - Pre-Audit Letter to Board
 - Audit framework and timing
- Board to Auditor
 - Board member communications on issues of concern
 - Questions on financial reporting or financial statement disclosures
 - Concerns about accuracy of financial information being provided
 - Suspicion of fraud or misappropriation of assets
 - Concerns about management integrity
 - Concerns about the accounting for specific transactions

Audit Scope and Deliverables

Audit Deliverables	
River Authority	<ul style="list-style-type: none">• Auditor's report on financial statements• Auditor's report on compliance with laws and regulations at the financial statement level – <i>Government Auditing Standards</i>
Federal and State Grants	<ul style="list-style-type: none">• Auditor's report on internal control and compliance and other matters – Single Audit Act/State of Texas Single Audit Act (only if required \$750,000 expenditure threshold is met)
Required Auditor's Communications	<ul style="list-style-type: none">• Written communication to management and the Board describing any significant deficiencies in internal control• Post audit letter of required communications to the Board

Audit Planning & Risk Assessment Process



Audit Work Flow Planned Timing

Task/Activity	Planned Timeline
Engagement letter approved by the General Manager/CEO	April
Planning, scheduling, conferences, and other administration	June
Document updates to major internal control systems, including risk and fraud planning	July
Identify major federal program and requirements	July
Perform “walk-throughs” on major internal control systems	July
Design detail audit plan	July
Perform and review interim fieldwork including compliance audit procedures	July
Perform and review final fieldwork	October/November
Perform internal quality review process	November
Hold exit conference; and discuss audit adjustments to financial statements and management letter findings	November
Review draft Financial Statements and Compliance Reports	November
Deliver management letter	December
Complete final review of the Financial Statements and Compliance Reports	December
Present Financial Statements and Compliance Reports to the Board	January

Procedures Over Internal Control

- Focus of audit is reporting on the financial statements
- A financial audit is not focused on reporting on the effectiveness of the system of internal controls
- We assess internal controls to design our financial statement audit procedures
- Control assessments will be done for overall control environment, water sales, payroll and cash disbursements
- Any areas in which we determine there are significant deficiencies will be reported to the Board

Federal and State Grant Audits

- Federal grants subject to Single Audit Act
- State grants subject to Texas Uniform Grants Management Act
- Audit testing is required when the amount of grant expenditures is over \$750,000 (federal or state)
- Reporting and compliance requirements are set by regulations
- Audit procedures are compliance oriented at a grant level
- Based on estimated expenditures, no federal or state audit is expected for 2018

Appendix A – Required Auditor Communications

	Communicate When Event Occurs	Communicate On a Timely Basis, At Least Annually
Communications Required on All Audits		
Our Responsibility Under GAAS Including Other Information in Documents Containing Audited financial statements		X
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	X	X
Significant Audit Adjustments		X
Unrecorded Audit Differences Considered by Management to be Immaterial		X
Our Judgments About the Quality of the Authority's Accounting Principles		X
Disagreements with Management		X
Consultations with Other Accountants		X
Serious Difficulties Encountered in Dealing with Management When Performing the Audit		X
The Adoption of, or a Change in, an Accounting Principle		X
Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas		X
Sensitive Accounting Estimates		X
Fraud and Illegal Acts Involving Senior Management and Fraud and Illegal Acts that Cause a Material Misstatement of the financial statements	X	
Significant Deficiencies and Material Weaknesses Identified During Our Audit		X

QUESTIONS AND ANSWERS?



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