

Annual Financial Audits

Presentation to the
Employee Trust Funds Board Audit Committee
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Introductions

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Financial Audit Process

- Statutorily required
- Focus on Financial Statements and Notes
- Controls
- Detail Testing
- Analytical Reviews
- Compliance
- Consideration of Materiality

What a Financial Audit Does.....

- Provides an **opinion** on whether financial statements and notes are fairly presented
- Reports on **control** and **compliance** concerns noted during audit

What a Financial Audit Does Not Do....

- Does not provide assurance on controls or compliance
- Does not provide assurance that fraud has not or is not occurring

Definitions in Reporting Control Concerns

- **Material Weakness** – deficiency in internal control, such that there is a reasonable possibility that a material misstatement will not be prevented or detected and corrected on a timely basis.
- **Significant Deficiency** – deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- **Compliance & Other Matters**

Audit Communications

- Opinion is by program
- Management Letter with Auditor's Report on Control and Compliance
- Beginning of audit communication
- End of audit communication
- Correspondence with Joint Legislative Audit Committee

Financial Reporting in Recent Years

- Improved and More Accurate Financial Reporting
- More timely reporting of CAFR
 - 2008 – March 2010
 - 2009 – November 2010
 - 2010 – September 2011

2009 Audit

- Released in November 2010
- Significant Deficiency – Cash Reconciliations
- Other Matter – ASL Conversions
- New System Access Procedures – Resolved Issue from 2007 & 08

2010 Audit

- Released in September 2011
- Cash Reconciliation Issue – Resolved
- Other Matter – ICI Actuarial Liability Estimate
- IRS Determination Letter – Continue to Monitor

Future Challenges

- Implementation of Recent Acts
- Financial Reporting Changes
 - Move from funding-based approach to accounting-based approach.
 - Proposed to be effective for FY14 & CY14.
- Department Turnover

WRS Actuarial Audit

- Statutorily required every 5 years
- Issued RFP – May 2010
- Contract with Segal – Sept 2010
- Final Report – August 2011

Relationship with Internal Audit

- LAB's focus is financial statement opinion
- IA's focus is targeted audits per its plan
- Goal is to work together to avoid overlapping work and maximize efficiency
 - Retired Lives Data to GRS
 - Retirement Annuity Adjustment
 - Dependent Eligibility

Audit Committee

- Regular meetings
- Active oversight of internal/external audits
 - Development of audit plan
 - Follow-up on past concerns
- Accessible to auditor if issues arise
- Meet with external auditor regularly