Overview Audit Environment

Audit & Reporting Subcommittee

March 17, 2016

Goal of Audit Environment

- Goal of compliances and audits is to foster accountability, stewardship of public resources and efficiency in delivering of programs

- *COSO:*

    - "internal controls is a process, effected by an entity's board of directors, management and other personnel, designed to provide <u>reasonable assurance regarding the achievement of objectives</u> relating to operations, reporting and compliance"

Sound Transit's approach – 3 levels of controls

1. **Strong internal compliance and controls**

   - Qualified staff
   - Capital project controls
   - QA/QC audits/reviews
   - Phase gate

   - Change Control boards (capital and operations)
   - Technology Governance
   - Performance Management
   - Quarterly Management Reviews
   - Internal Audit

2. **Active board review and engagement**

   - Audit & Reporting Committee
   - 78-2 Transactional review/approval by board
   - Annual Budget

3. **Strong external assurances**

   - Financial audits
   - Federal audits
   - State audits (SAO)
   - Citizen Oversight Panel
   - Over 160 external audits to date

3

Audit & Reporting Committee

- Created in 2001

- Updated Charter in 2010
  - **Financial Reporting**
    - Annual financial statements'
    - Quarterly financial reports
    - Asset/Liability management reports
  - **Audits**
    - External Audits
    - Internal Audits
    - Performance Audits
    - State Audits
  - **Internal Controls**
    - ARC will consider effectiveness of agency's system of internal controls