



**BRIEFING: AUGUST 9, 2016, BOARD MEETING AGENDA ITEM #3**

**TO: Chairman Richard and Board Members**

**FROM: Paula Rivera, Chief Auditor**

**DATE: August 9, 2016**

**RE: Consider Approving the Fiscal Year 2016-17 Audit Plan and Acknowledging the Internal Quality Assurance Self-Assessment for Fiscal Year 2015-16**

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**Summary of Requested Action**

Staff is recommending that the Board approve the Internal Audit Plan for Fiscal Year 2016-17 and acknowledge the Internal Quality Assurance Self-Assessment, Fiscal Year 2015-16.

**Background**

The mission of the Audit Office is to assist management in accomplishing the California High-Speed Rail Authority's (Authority) strategic objectives by bringing a value-added, risk-based approach to independently reviewing, testing, evaluating, and improving program processes throughout the Authority.

To maintain its organizational independence, the Audit Office reports functionally to the Authority Board and administratively to the Chief Executive Officer (CEO). The International Standards for the Professional Practice of Internal Auditing define independence and objectivity as "the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner." Thus, in order to "achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship."

The CEO is responsible for review and acceptance of draft audit reports, ensuring preparation of adequate responses to audit recommendations, and implementation of audit recommendations.

Additionally, to comply with the International Standards for the Professional Practice of Internal Auditing, the chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

The Audit Office has prepared a risk-based Audit Plan for Fiscal Year 2016-17 identifying priorities for audit activities. In addition, the Audit Office has completed an internal quality

assurance self-assessment for Fiscal Year 2015-16. Today, staff request Board approval and acknowledgement, respectively, of these documents.

## **Discussion**

### *Audit Plan*

In order to develop the Audit Plan for Fiscal Year 2016-17, audit topics were solicited from executive management and the Finance & Audit Committee. Audit Office senior managers risk-ranked the audit topics based on the impact of the issue to the Authority's program goals and objectives, and whether the issue identified is auditable, and then determined which audits could be performed with existing staffing resources.

Staff brings the audit plan to the Board for approval to comply with the International Standards for the Professional Practice of Internal Auditing, Performance Standard 2020, which requires the chief audit executive to communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.

### *Internal Quality Assurance Self-Assessment*

Staff performed an internal quality assurance self-assessment of audits performed from Fiscal Year 2015-16. The self-assessment evaluated compliance with the International Standards for the Professional Practice of Internal Auditing and Government Auditing Standards in the areas of audit planning, audit performance, supervision of the audit, adequate and competent evidence to support findings, and reporting.

Staff brings the internal quality self-assessment to the Board to comply with the International Standards for the Professional Practice of Internal Auditing, Performance Standard 1320, which requires the chief audit executive to communicate the results of the quality assurance and improvement program to senior management and the board.

## **Recommendations**

Staff recommends that the Board:

- Approve the Internal Audit Plan for Fiscal Year 2016-17.
- Acknowledge the Internal Quality Assurance Self-Assessment, Fiscal Year 2015-16.

## **Attachments**

- Audit Plan Fiscal Year 2016-17
- Internal Quality Assurance Self-Assessment, Fiscal Year 2015-16
- Draft Resolution #HSRA 16-23