



BRIEFING: JUNE 14, 2017 BOARD MEETING AGENDA ITEM #6

TO: Chairman Richard and Board Members

FROM: Paula Rivera, Chief Auditor

DATE: June 14, 2017

RE: Consider Approving Amendments to the Audit Charter and Acknowledging the External Peer Review of the Audit Office

Summary of Recommended Action

Staff recommends that the Board:

- Acknowledge the results of the External Peer Review of the Audit Office
- Approve the revisions to the Audit Charter.

Background

The Audit Office has undergone its first External Peer Review, performed under the auspices of the California Association of State Auditors. Consistent with auditing standards, the results of this Peer Review are being made available to the Board and public.

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

To comply with Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing (standards), the chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards. Each audit organization performing audits in accordance with standards must have an independent external peer review of the audit organization at least once every three years.

Due to the recent formation of the Audit Office and the lack of a body of work to be reviewed, the Audit Office has not obtained an external peer review until now. Authority audit staff performed internal quality assurance self-assessments for the previous two years in preparation for an external peer review. The lack of an external peer review has prohibited the Authority from noting in audit reports that the audits comply with standards.

The Audit Charter is the codification of existing practices, and is designed in accordance with Government Code Section 13885 *et seq.* The purpose of the Audit Charter is to provide guidance and assistance to the Authority and the Audit Office in fulfilling oversight responsibilities for the financial and operational reporting processes within the Authority. The charter establishes the responsibility of the Audit Office in the areas of organization risk management, the Authority's system of internal control, and the process for monitoring compliance with laws and regulations governing the Authority's operations. The revisions to the Audit Charter are based on recommendations from the external peer reviewers, updates to the standards and various name changes.

Prior Board Action

As this is the first external peer review of the Audit Office, no prior Board Actions have been taken. However, the results of the two prior Internal Quality Assurance Self-Assessment Reports have been brought to the Board for acknowledgement in August 2015 and August 2016.

In August, 2014 the Board approved the Audit Charter (#HSRA 14-20).

Discussion

The peer review panel was comprised of Auditors from the Department of Finance, Department of Consumer Affairs, and the Department of Motor Vehicles. The peer reviewers found that the Authority Audit Office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with standards.

Staff has brought the external peer review results to the Board to comply with the Governmental Auditing Standards Paragraph 3.105 which indicates audit organizations should make its most recent peer review report publicly available and International Standards for the Professional Practice of Internal Auditing, Performance Standard 1320, which requires the chief audit executive to communicate the results of both internal and external assessments of the quality assurance and improvement program to senior management and the board.

The external peer reviewers suggested revisions to the Audit Office Audit Manual and the Audit Charter. The Audit Charter suggestions included clarifying that the Chief Executive Officer is not responsible for draft audit report acceptance. In addition, it was suggested that the Audit Charter be updated to include a list of audit services provided by the Audit Office. Additional revisions have been made to the Audit Charter to update revisions in audit standards and various name changes.

Legal Approval

Not applicable.

Budget and Fiscal Impact

None.

Recommendations

Staff recommends that the Board acknowledge the results of the External Peer Review of the Audit Office and approve the revisions to the Audit Charter.

Attachments

- Draft Resolution #HSRA 17-14
- Draft External Peer Review Report
- Peer Review Management Letter
- Revised Audit Charter
- Final Resolution #HSRA 14-20