



## **California High-Speed Rail** **BRIEFING: Audit Office External Peer Review Agenda Item #2**

**TO:** Acting Chairman Richards and Board Members  
**FROM:** Paula Rivera, Chief Auditor  
**DATE:** June 25, 2020  
**RE:** Acknowledgment of the External Peer Review of the Audit Office

---

### **Summary**

Staff recommends that the Board acknowledge the results of the External Peer Review of the Audit Office.

### **Background**

The Audit Office has undergone an 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, 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 audit standards must have an independent external peer review of the audit organization at least once every three years.

The Audit Office's quality assurance and improvement program includes staff receiving adequate training related to audit standards, internal processes and practices documented in an Audit Manual, two levels of review for each audit assignment, an annual internal quality assurance review and an external peer review every three years.

### **Prior Board Action**

The last peer review of the Audit Office was in 2017. There were no reportable conditions in the peer review report. However, there were three recommendations for improvement in the management letter.

Board Resolution 17-14 acknowledged the Peer Review Report and approved revisions to the Audit Charter made to address management letter recommendations.

## **Discussion**

The external peer review team was comprised of auditors at the supervisory and management level from the Department of Education, the California Highway Patrol, and the Department of Motor Vehicles. The peer reviewers found that the internal quality control system of the Authority's Audit Office was suitably designed and operating effectively to provide reasonable assurance of compliance with standards.

Staff brings the external peer review results to the Board to comply with 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, and Governmental Auditing Standards, Section 5.77 which indicates internal audit organizations should provide a copy of its peer review report to those charged with governance.

The external peer reviewers had two observations, which were documented in a management letter. Recommendations included performing pre-award reviews under the Standards for the Professional Practice of Internal Auditing instead of Government Auditing Standards to align the purpose of the review with the standards, and having the audit work program approved prior to the initiation of fieldwork. Staff concur with both recommendations as noted in our response attached to the final report and will make the necessary revisions to our internal processes and Audit Manual.

## **Legal Approval**

Not applicable.

## **Budget and Fiscal Impact**

Not applicable.

<b>REVIEWER INFORMATION</b>	<b>SIGNATURE</b>
Reviewer Name and Title: <b>Brian Annis, Chief Financial Officer</b>	Signature verifying budget analysis: <b>Original Signed 6/17/2020</b>
Reviewer Name and Title: <b>Alicia Fowler, Chief Legal Counsel</b>	Signature verifying legal analysis: <b>Original Signed 6/17/2020</b>

## **Recommendations**

Staff recommends that the Board acknowledge the results of the External Peer Review of the Audit Office.

## **Attachments**

- External Peer Review Report
- Peer Review Management
- Letter Board Resolution 17-14