



California High-Speed Rail **BRIEFING: June 29, 2023 BOARD MEETING** **AGENDA ITEM #3**

TO: Chairman Richards and Board Members
FROM: Paula Rivera, Chief Auditor
DATE: June 29, 2023
RE: External Peer Review of the Audit Office

Summary

Authority staff is bringing the results of the external peer review to the Board to comply with audit standards.

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 2020. There were no reportable conditions in the peer review report. However, there were two recommendations for improvement in the management letter. There was no board resolution due to the informational nature of the agenda item.

The Audit Office had a prior peer review 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 Transportation, the Franchise Tax Board, and the California Lottery. 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 one observation, which was documented in a management letter. The recommendation was to document the assessment of the audit team's overall competency during audit planning. Staff concur with the recommendation as noted in our response attached to the final report and will make the necessary revisions to our internal processes.

Legal Approval

The Legal Office has reviewed this item and it is in compliance with Authority policy.

Budget and Fiscal Impact

This is an informational item, and by itself, does not have a budget or fiscal impact.

REVIEWER INFORMATION	SIGNATURE
Reviewer Name and Title: Brian Annis Chief Financial Officer	Signature verifying budget analysis:
Reviewer Name and Title: Alicia Fowler Chief Legal Counsel	Signature verifying legal analysis:

Recommendations

This item is informational only, and there are no recommended actions at this time.

Attachments

External Peer Review Report

Peer Review Management Letter