



CALIFORNIA  
High-Speed Rail Authority

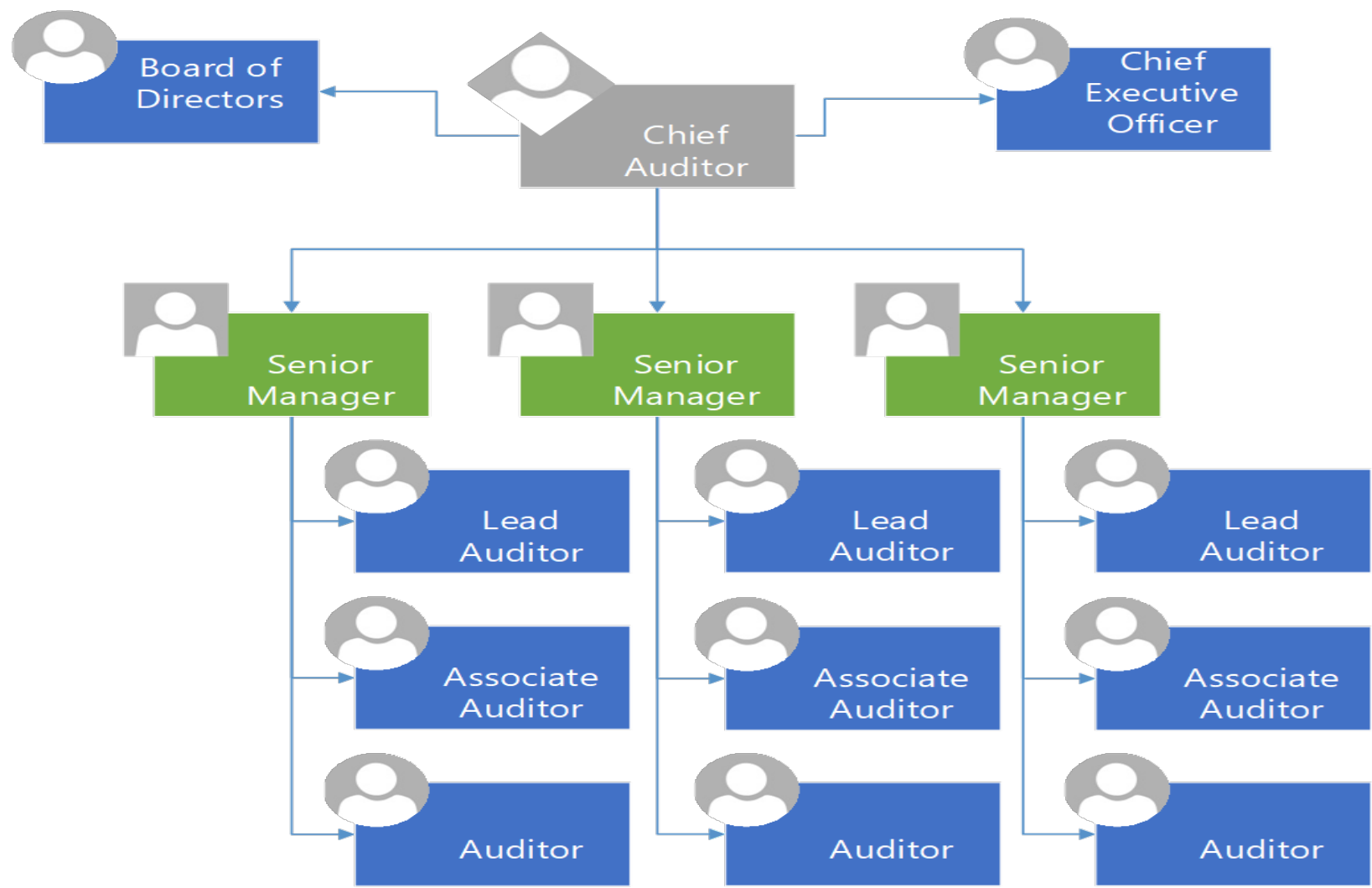
# Audit Office

## External Quality Assessment

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# Audit Office



# Audit Standards

- Generally Accepted Government Audit Standards (Yellow Book)
  - » Used for audits of federal funds, specifically Contract Compliance Audits
  - » Peer review required every three years
  - » Issued by the Government Accountability Office
- Global Internal Audit Standards (Red Book)
  - » Used for performance audits, pre-award reviews, and other audit services that result in a report
  - » External quality assessment required every five years
  - » Issued by the Institute of Internal Audits
- Both Yellow Book and Red Book standards were revised in early 2025.
  - » External Quality Assessments and Internal Quality Assessments
  - » Audit Committee Reporting
  - » Additional Documentation Requirements

# Global Internal Audit Standards

## 5 Domains

- 15 principles
  - 52 Standards
    - ✓ Requirements
    - ✓ Considerations for Implementation
    - ✓ Examples of Evidence of Conformance



TM

# Global Internal Audit Standards



Source: Institute of Internal Auditors (IIA)



# Global Internal Audit Standards



## 1. Demonstrate Integrity

Internal auditors demonstrate integrity in their work and behavior.

- 1.1 Honesty and Professional Courage
- 1.2 Organization's Ethical Expectations
- 1.3 Legal and Ethical Behavior

## 2. Maintain Objectivity

Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.

- 2.1 Individual Objectivity
- 2.2 Safeguarding Objectivity
- 2.3 Disclosing Impairments to Objectivity

## 3. Demonstrate Competency

Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully.

- 3.1 Competency
- 3.2 Continuing Professional Development

## 4. Exercise Due Professional Care

Internal auditors apply due professional care in planning and performing internal audit services.

- 4.1 Conformance with Global Internal Audit Standards
- 4.2 Due Professional Care
- 4.3 Professional Skepticism

## 5. Maintain Confidentiality

Internal auditors use and protect information appropriately.

- 5.1 Use of Information
- 5.2 Protection of Information

Source: IIA

# Global Internal Audit Standards



## 6. Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

6.1 Internal Audit Mandate

6.2 Internal Audit Charter

6.3 Board and Senior Management Support

## 7. Positioned Independently

The board establishes and protects the internal audit function's independence and qualifications.

7.1 Organizational Independence

7.2 Chief Audit Executive Qualifications

## 8. Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessment

Source: IIA

# Global Internal Audit Standards



## 9. Plan Strategically

The chief audit executive plans strategically to position the internal audit function to fulfill its mandate and achieve long-term success.

9.1 Understanding Governance, Risk Management, and Control Processes

9.2 Internal Audit Strategy

9.3 Methodologies

9.4 Internal Audit Plan

9.5 Coordination and Reliance

## 10. Manage Resources

The chief audit executive manages resources to implement the internal audit function's strategy and achieve its plan and mandate.

10.1 Financial Resource Management

10.2 Human Resource Management

10.3 Technological Resources

## 11. Communicate Effectively

The chief audit executive guides the internal audit function to communicate effectively with its stakeholders.

11.1 Building Relationships and Communicating with Stakeholders

11.2 Effective Communication

11.3 Communicating Results

11.4 Errors and Omissions

11.5 Communicating the Acceptance of Risks

## 12. Enhance Quality

The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.

12.1 Internal Quality Assessment

12.2 Performance Measurement

12.3 Oversee and Improve Engagement Performance

Source: IIA



# Global Internal Audit Standards



## 13. Plan Engagements Effectively

Internal auditors plan each engagement using a systematic, disciplined approach.

- 13.1 Engagement Communication
- 13.2 Engagement Risk Assessment
- 13.3 Engagement Objectives and Scope
- 13.4 Evaluation Criteria
- 13.5 Engagement Resources
- 13.6 Work Program

## 14. Conduct Engagement Work

Internal auditors implement the engagement work program to achieve the engagement objectives.

- 14.1 Gathering Information for Analyses and Evaluation
- 14.2 Analyses and Potential Engagement Findings
- 14.3 Evaluation of Findings
- 14.4 Recommendations and Action Plans
- 14.5 Developing Engagement Conclusions
- 14.6 Documenting Engagements

## 15. Communicate Engagement Conclusions and Monitor Actions Plans

Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward implementation of recommendations or action plans.

- 15.1 Final Engagement Communication
- 15.2 Confirming the Implementation of Action Plans

Source: IIA

# External Quality Assessment

- Global Internal Audit Standard 8.4

- » The chief audit executive must develop a plan, approved by the board.
- » The external assessment must be performed at least once every five years.
- » The requirement can be met through a self-evaluation with independent validation.

- Proposal

- » External quality assessment every three years.
  - GAO standards require a peer review at least once every three years, Standard 5.179.
- » External assessment performed by an independent qualified assessment team.
  - Value in having audit professionals within the state government evaluate our quality management systems. Self-assessment is performed in interim years when an external assessment isn't.



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Thank you

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