



BRIEFING: DECEMBER 13, 2018 BOARD MEETING AGENDA ITEM #2

TO: Chairman Richard and Board Members

FROM: Paula Rivera, Audit Chief

DATE: December 13, 2018

RE: Consider Approving the Fiscal Year 2018-19 Audit Plan and Acknowledging the Internal Quality Assurance Self-Assessment, Fiscal Year 2017-18

Summary of Recommended Action

Staff recommends that the Board:

- Approve the Internal Audit Plan for Fiscal Year 2018-19.
- Acknowledge the Internal Quality Assurance Self-Assessment, Fiscal Year 2017-18.

Background

The mission of the Audit Office is to assist management in accomplishing the California High-Speed Rail Authority's values and goals by bringing a value-added, risk-based approach to independently reviewing, testing, and evaluating 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."

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 the remainder of Fiscal Year 2018-19 identifying priorities for audit activities. In addition, the Audit Office has completed an internal quality assurance self-assessment for Fiscal Year 2017-18.

Prior Board Action

The Board annually approves the audit plan and internal quality assurance self-assessment, most recently in September 2017.

Discussion

Audit Plan

To develop the Audit Plan for the remainder of Fiscal Year 2018-19, audit staff reviewed audit topics from the prior year's risk-based audit plan that were not completed with executive management and the Finance and Audit Committee. Those topics that would address concerns identified by the State Auditor have been included among the audit topics for this fiscal year's plan and these audits can be performed with existing staff 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 July 2017 through June 2018. The self-assessment evaluated compliance with the International Standards for the Professional Practice of Internal Auditing, Government Auditing Standards, and our Audit Manual 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.

Legal Approval

None.

Budget and Fiscal Impact

None

Recommendations

Staff recommends that the Board:

- Approve the Internal Audit Plan for Fiscal Year 2018-19.
- Acknowledge the Internal Quality Assurance Self-Assessment, Fiscal Year 2017-18.

Attachments

- Draft Resolution #HSRA 18-22
- Audit Plan Fiscal Year 2018-19

– Internal Quality Assurance Self-Assessment, Fiscal Year 2017-18