



BRIEFING: AUGUST 4, 2015, BOARD MEETING AGENDA ITEM #3

TO: Chairman Richard and Board Members

FROM: Paula Rivera, Senior Management Auditor

DATE: August 4, 2015

RE: Consider Approving the Fiscal Year 2015-16 Audit Plan and Acknowledging the Internal Quality Assurance Self-Assessment, November 2013 through June 2015

Background

The mission of the California High-Speed Rail Authority's (Authority) Audit Division is to provide management with information and analysis to help them accomplish their strategic objectives by bringing a value-added, risk-based approach to independently reviewing, testing, evaluating, and improving program processes throughout the organization.

To maintain its organizational independence, the Audit Division reports functionally to the Authority Board and administratively to the Chief Executive Officer (CEO). The International Standards for the Professional Practice of Internal Auditing, defines 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."

The CEO is responsible for review and acceptance of draft audit reports, ensuring preparation of adequate responses to audit recommendations, and implementation of audit recommendations.

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 Division has prepared a risk-based Audit Plan for Fiscal Year 2015-16 identifying priorities for internal audit activity. In addition, the Audit Division has completed an internal quality assurance self-assessment. Today, staff request Board approval and acknowledgement, respectively, of these documents.

Discussion

Audit Plan Fiscal Year 2015-16

In order to develop the Audit Plan for Fiscal Year 2015-16, audit topics were solicited from executive management and the Finance and Audit Committee based on the needs and concerns of each functional area. Audit Division senior managers risk-ranked the audit topics based on the impact of the issue to the Authority's program goals and objectives, the requestor, and whether the issue identified is auditable, and then determined which audits could be performed with existing and anticipated staffing 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 require 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 November 2013, when the Audit Division first performed audits that complied with audit standards, through June 2015. The self-assessment evaluated compliance with the International Standards for the Professional Practice of Internal Auditing and Government Auditing Standards 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 require the chief audit executive to communicate the results of the quality assurance and improvement program to senior management and the board.

Recommendations

Staff recommends that the Board:

- Approve the Internal Audit Plan for Fiscal Year 2015-16.
- Acknowledge the Internal Quality Assurance Self-Assessment, November 2013 through June 2015.

Attachments

- Audit Plan FY 2015-16
- Internal Quality Assurance Self-Assessment, November 2013 through June 2015
- Resolution #HSRA 15-16