



**BRIEFING: SEPTEMBER 19, 2017 BOARD MEETING AGENDA ITEM #5**

**TO: Chairman Richard and Board Members**

**FROM: Paula Rivera, Audit Chief**

**DATE: September 19, 2017**

**RE: Consider Approving the Fiscal Year 2017-18 Audit Plan and Acknowledging the Internal Quality Assurance Self-Assessment, Fiscal Year 2016-17**

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**Summary of Recommended Action**

Staff recommends that the Board:

- Approve the Internal Audit Plan for Fiscal Year 2017-18.
- Acknowledge the Internal Quality Assurance Self-Assessment, Fiscal Year 2016-17.

**Background**

The mission of the Audit Office is to assist management in accomplishing the California High-Speed Rail Authority's 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 Fiscal Year 2017-18 identifying priorities for audit activities. In addition, the Audit Office has completed an internal quality assurance self-assessment for Fiscal Year 2016-17.

## **Prior Board Action**

The Board annually approves the audit plan and internal quality assurance self-assessment, most recently in August 2016.

## **Discussion**

### *Audit Plan*

To develop the Audit Plan for Fiscal Year 2017-18, audit topics were solicited from executive management and the Finance and Audit Committee. Audit Office senior managers risk-ranked the audit topics based on the impact of the issue to the Authority's program goals and objectives, and whether the issue identified is auditable, and then determined which audits could 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 February 2017 through June 2017, which is the period after our External Peer Review through the end of the fiscal year. The External Peer Review report was brought to the Board in June 2017. 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 2017-18.
- Acknowledge the Internal Quality Assurance Self-Assessment, Fiscal Year 2016-17.

## **Attachments**

- Draft Resolution #HSRA 17-19
- Audit Plan Fiscal Year 2017-18
- Internal Quality Assurance Self-Assessment, Fiscal Year 2016-17