



California High-Speed Rail **BRIEFING: NOVEMBER 19, 2019 AND AGENDA ITEM #3**

TO: Chair Mendonca and Board Members

FROM: Paula Rivera, Audit Chief

DATE: November 19, 2019

RE: Consider Approving the Fiscal Year 2019-20 Audit Plan and Acknowledging the Internal Quality Assurance Self-Assessment, Fiscal Year 2018-19

Summary

Staff recommends that the Board:

- Approve the Internal Audit Plan for Fiscal Year 2019-20.
- Acknowledge the Internal Quality Assurance Self-Assessment, Fiscal Year 2018-19.

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 2019-20 identifying priorities for audit activities. In addition, the Audit Office has completed an internal quality assurance self-assessment for Fiscal Year 2018-19.

Prior Board Action

The Board annually approves the audit plan and internal quality assurance self-assessment, most recently in December 2018.

Discussion

The following provides a brief summary of the Fiscal Year 2019-2020 audit topics. A copy of the Fiscal Year 2018-2019 Internal Quality Assurance Self-Assessment is attached as information.

Audit Plan

To develop the Audit Plan for Fiscal Year 2019-20, 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. Staff assessed if the topics identified were auditable and which audits could be performed with existing staff resources.

The 2019-20 Audit Plan includes four audits in progress from the prior year's audit plan: Incurred cost, governance, change orders, and workplans. Staff proposes to also perform a follow up audit of contract management activities, an audit of contract manager compliance with the invoice policy, and an audit of the process/procedure for identifying grant matching contributions.

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 2018 through June 2019. 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 submits 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

N/A

Budget and Fiscal Impact

N/A

REVIEWER INFORMATION	
Reviewer Name and Title: Brian Annis, CFO	Signature verifying budget analysis: Original Signed November 11, 2019
Reviewer Name and Title: Alicia Fowler, Chief Counsel	Signature verifying legal analysis: Original Signed November 11, 2019

Recommendations

Staff recommends that the Board:

- Approve the Internal Audit Plan for Fiscal Year 2019-20.
- Acknowledge the Internal Quality Assurance Self-Assessment, Fiscal Year 2018-19.

Attachments

Resolution #HSRA 19-10
Audit Plan Fiscal Year 2019-20
Internal Quality Assurance Self-Assessment, Fiscal Year 2018-19