



Memo

To: Audit Committee Members

From: Stephanie Fox, Director of Internal Audit

Date: July 24, 2020

Re: Reporting on the Quality Assurance and Improvement Program

In accordance with Standard 1300 of the International Professional Practices Framework (Red Book), we maintain a quality assurance and improvement program (QAIP) within the department. The QAIP has three main components where quality is evaluated: (1) ongoing monitoring, (2) periodic self assessments, and (3) external assessments or peer reviews. Ongoing monitoring is performed at the conclusion of each engagement. This review is limited and is documented within the workpapers for each audit. The requirement for periodic self assessment is met with our annual quality review. This assessment utilizes peer review resources from the Association of Local Government Auditors to determine conformance. At this time, we have not participated in an external assessment; however, we tentatively plan to do this in FY 2022. Standard 1320 requires that we communicate the results of the QAIP with senior management and the Audit Committee.

Results of the Annual Quality Review for FY 2020

As revised, our policies and procedures generally conform to the Red Book. As a whole, the established policies allow for activities required for adherence to the standards, and most requirements from the standards are explicitly addressed in policy.

During the annual quality review, we looked at the department's quality control system as documented, as well as how we demonstrate conformance in engagements and other activities. There are some areas where we can improve documentation and processes to more explicitly demonstrate conformance with some standards. These are discussed below.

Standards 1312, 1321, & 1322

City Code Section 6-610 requires that we indicate that audits were performed in accordance with applicable standards. Per the Red Book, use of language indicating conformance with the standards is only appropriate when supported by the results of a quality assurance and improvement program (QAIP). The Red Book does not actually require the use of any conformance language in reports. We have not used the conformance language in our audit



reports performed under the Red Book so far, as we have not had results of the QAIP to support conformance.

Action Plan: Based on the results of this QAIP, we believe our established processes generally conform; however, we still intend to make changes noted in this document. Further, we have not undergone an external assessment/peer review under the Red Book (which we tentatively plan to do in FY 2022). When we implement changes from this annual quality review, we will begin using conformance language in reports which discloses that we have not been peer reviewed under these standards. Following successful completion of a peer review, we will update the report conformance language to reflect that.

Standard 2201

This standard is related to planning engagements and requires that we consider the adequacy and effectiveness of processes compared to a “relevant framework or model.” While we evaluate controls in each engagement, we have not formally evaluated those controls against the components of a relevant framework.

Action Plan: We will update our standardized planning workpapers to more formally demonstrate evaluation of controls and other processes to an internal control framework.

Other Opportunities for Improvement

In reviewing standards related to the following areas, we noted that our policies and procedures adhere; however, we can make improvements to our standardized documentation to further demonstrate our conformance.

1. Consulting engagements (Standards in the C series)
2. Planning considerations (Standard 1220.A1)
3. Annual risk assessment considerations (Standards 2000, 2050)

Action Plan: We will continue to update and improve our standard workpaper templates for better demonstration of conformance, as well as other potential process improvements.