

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Barbara Beatty

Date: October 9, 2007

From: Syndie Le *SL*

Subject: FY 2005-06 INTERNAL QUALITY ASSURANCE REVIEW

I have completed the Internal Quality Assurance Review of the Ventura County Internal Audit Division (Audit Division) for the period July 1, 2005 through June 30, 2006. The results of my review are summarized below.

BACKGROUND: The Audit Division, through cooperation with County management, accomplishes timely audits that foster positive change to reduce risk and enhance the economy, efficiency, and effectiveness of Ventura County departments/agencies. At the time of my review, performance audits were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* promulgated by the Institute of Internal Auditors. Financial audits were conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The Audit Division also followed standards promulgated by the American Institute of Certified Public Accountants and statutes of the State of California, as applicable. The Audit Division's policies and procedures require that an internal quality assurance review be conducted annually.

SCOPE:

The overall objective was to determine whether the Audit Division's internal quality control system was in place and operating effectively to provide reasonable assurance that established policies and procedures and applicable auditing standards were followed. Specifically, the review determined whether: the Audit Division established and implemented appropriate methods, policies, and procedures to comply with *IIA Standards* and *Government Auditing Standards*; the Audit Division's methods, policies, and procedures were operating effectively for auditors, during the performance of an audit, to comply with applicable auditing standards; and corrective action was taken to address certain findings noted in the prior internal quality assurance review dated March 29, 2005.

The review included the evaluation of reports and work papers from three judgmentally selected engagements (two performance audits and one financial audit). The review also included evaluation of guidance published by the Association of Local Government Auditors (formally the National Association of Local Government Auditors), conflict of interest statements, and applicable auditing standards. The review covered audit reports issued from July 1, 2005 through June 30, 2006.

FINDINGS:

Overall, the Audit Division followed established policies and procedures and applicable auditing standards when conducting performance and financial audits. Although several areas for improvement were

identified, none significantly impacted compliance with the standards; therefore, the improvements were discussed with management. For example, we discussed methods to: comply with audit standards regarding limitations on distributions of audit reports; ensure that all audit work papers were initialed and dated by the auditor and supervisor; and track audit budget hours by audit objectives.

In addition, appropriate action had been taken to address issues from the prior internal quality assurance report. Appropriate action included adequate support for the development of audit programs and explanatory work papers to describe the relevance of documents. In addition, appropriate action was taken to ensure audit findings were always included in the report and a work paper index was included in the audit file. Further, support for management responses was retained in the work papers, audit delays were explained, improvements to the audit methodology in the audit report were made, and confidential information was used appropriately. Finally, work papers corresponded to the approved audit program and were indexed consistently, documents included in the work papers were relevant, and audit findings contained the proper elements of a finding.

However, the following issue regarding the Audit Division's desktop and administrative procedures manual needed management's attention. Corrective action was initiated during the review as noted.

Desktop and Administrative Procedures Manual. In reviewing related policies and procedures for "Administering a Performance Audit" and "Administering a Financial Audit", the procedures included certain elements that were outdated. For example, "Administering a Performance Audit" was last updated in 1991 and states the auditing standards to be used are *Government Auditing Standards*, when the Audit Division shifted to the *I/A Standards* in 2004. In addition, neither this procedure nor the "Administering a Financial Audit" procedure address recent changes to audit administration, such as requiring auditors to re-assess independence for each engagement. An outdated procedure may provide incorrect guidance to an auditor when conducting a performance and/or financial audit and may cause an audit engagement to be out of compliance with the standards.

Management Action. Audit management agreed with the finding and will review/update the desktop and administrative procedures manual. In addition, management will review the manual at least once every 3 years to ensure the policies and procedures are accurate and current.

AUDITOR'S EVALUATION OF MANAGEMENT ACTION: I believe that management's plans to address the findings were responsive. Corrective action is planned to be completed by June 30, 2008.

Thank you for your cooperation and assistance during this review.

cc: Christine L. Cohen, Auditor-Controller