

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Barbara Beatty

Date: February 19, 2008

From: Eric Lozano *EL*

Subject: FY 2006-07 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, 2006 through June 30, 2007. 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 reviews dated January 6, 2004, and June 13, 2007, and the latest external quality assurance review dated August 2, 2004.

The review included the evaluation of reports and work papers from three judgmentally selected engagements (one performance audit, one review engagement, 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, 2006 through June 30, 2007.

FINDINGS:

Overall, the Audit Division followed established policies and procedures and applicable auditing standards when conducting performance and financial audits, and review engagements. 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 ensure: all conflict of interest forms are signed by Audit Division management; all audit work papers are initialed and dated by the auditor and reviewer; and auditors document the reason for exceeding the budgeted hours assigned.

In addition, appropriate action had been taken to address issues from the prior internal and external quality assurance reports. Appropriate action included implementing procedures for auditors to re-assess independence prior to each engagement. In addition, improvements were initiated to ensure audits and reviews were completed in a timely fashion. Finally, adequate support was provided for the development of audit programs, and audit programs were cross-referenced properly to the working papers.

AUDITOR'S EVALUATION OF MANAGEMENT ACTION: I believe that management actions taken or planned to address the issues discussed were responsive.

Thank you for your cooperation and assistance during this review.

cc: Christine L. Cohen, Auditor-Controller