

**County of Ventura**  
**AUDITOR-CONTROLLER**  
**MEMORANDUM**

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**To:** Barbara Beatty, Deputy Director Auditor-Controller

**Date:** November 13, 2012

**From:** Joanne Gonzales, Internal Audit Manager *JG*

**Subject:** FISCAL YEAR (FY) 2011-12 INTERNAL QUALITY ASSURANCE REVIEW

I have completed the Internal Quality Assurance Review of the Ventura County Internal Audit Division (IAD) for the period July 1, 2011, through June 30, 2012. The results of my review are summarized below.

**BACKGROUND**

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The IAD, 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 and agencies. During FY 2011-12, the IAD was allocated 8 budgeted positions and issued 18 reports.

In accordance with Government Code Section 1236, the IAD conducts audits in conformance with the *International Standards for the Professional Practice of Internal Auditing (IIA Standards)*, promulgated by The Institute of Internal Auditors, or where appropriate, compliance with *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards provide a framework for conducting high quality audits with competence, integrity, objectivity, and independence. To this end, a quality assurance program has been established to provide reasonable assurance of the IAD's conformance/compliance with the standards. The IAD's quality assurance program includes both internal and external assessments.

**SCOPE**

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The overall objective was to determine whether the IAD'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 IAD established and implemented appropriate methods, policies, and procedures to comply with *IIA Standards* and *Government Auditing Standards*; and
- the IAD's methods, policies, and procedures were operating effectively for auditors, during the performance of an audit, to comply with auditing standards.

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 annual conflict of interest statements, continuing professional education documents, IAD desk procedures, and applicable auditing standards. The review covered audit reports issued from July 1, 2011, through June 30, 2012.

## **FINDINGS**

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Overall, the IAD followed established policies and procedures and applicable auditing standards required by the *IIA Standards* and *Government Auditing Standards*. For the reviewed audits, work was planned, documented, and supervised as required by the applicable standards. Further, all IAD personnel had completed required continuing professional education training.

My review disclosed one area where improvements were needed to further strengthen the IAD's system of quality control. Specifically, written policies and procedures needed to be created or revised to satisfy *Government Auditing Standards* documentation requirements regarding auditor and audit organization independence. Corrective action was initiated during the review as noted.

**Policies and Procedures.** Though the IAD has existing written policies and procedures that address auditor and audit organization independence, the IAD needed to create or revise certain policies and procedures to document the following topics as required by *Government Auditing Standards*:

- Steps the IAD would take to resolve any identified personal impairments to auditor independence (e.g., an actual or perceived personal conflict of interest on the part of a member of the audit staff).
- An overview of the concept of "external" impairments to independence (e.g., external interference or influence to improperly limit or modify the scope of an audit).
- A discussion of the IAD's organizational independence (e.g., how the organizational placement of the IAD allows for objective reporting of results).
- The IAD's process for evaluating and documenting nonaudit services.

While the IAD's overall system of quality control provides reasonable assurance of compliance with *Government Auditing Standards*, addressing the noted documentation requirements will further strengthen the IAD's system of quality control.

**Management Action.** The IAD has revised existing written policies and procedures to address the identified topics regarding personal, external, and organizational independence. A written policy and procedure addressing nonaudit services is planned to be completed by December 31, 2012.

## **AUDITOR'S EVALUATION OF MANAGEMENT ACTION**

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I believe that management actions taken or planned were responsive to the finding. Management planned to complete corrective actions by December 31, 2012.

Thank you for your cooperation and assistance during this review.

cc: Honorable Christine L. Cohen, Auditor-Controller  
Honorable John C. Zaragoza, Chair, Board of Supervisors  
Honorable Peter C. Foy, Vice Chair, Board of Supervisors  
Honorable Steve Bennett, Board of Supervisors  
Honorable Linda Parks, Board of Supervisors  
Honorable Kathy I. Long, Board of Supervisors  
Michael Powers, County Executive Officer