



Audit Committee

3/9/2026 Committee Meeting

7d

Subject

Discussion on the results of the Audit Department's internal Quality Assurance & Improvement Program for Fiscal Year 2024/25

Executive Summary

This item provides an overview of the results of our internal Quality Assessment & Improvement Program (QAIP) covering FY 2024/25, as well as the status of the compliance gaps and opportunities for improvement identified during the external quality assessment completed in 2023.

The purpose of the QAIP is to ensure that an internal audit function conforms with the International Standards for the Professional Practice of Internal Auditing. The QAIP is designed to evaluate audit efficiency and effectiveness, and foster continuous improvement. An external assessment is required every five years, with internal assessments conducted in the intervening years. The next external assessment is due in 2028.

Applicable Policy

Metropolitan Water District Administrative Code Section 6451(d)(6)

Details & Background

Standard 1300 of The Institute of Internal Auditors' Global Internal Audit Standards (Standards) requires the chief audit executive (General Auditor) to develop and maintain a QAIP that covers all areas of the internal audit activity. The QAIP assesses the internal audit function's governance, staff, management, and processes. This evaluation includes the review of departmental policies and procedures, the Internal Audit Charter, risk assessments, project work papers, and audit reports, as well as conducting surveys.

Based on the results of these periodic assessments, the General Auditor must develop plans to address instances of nonconformance with the Standards and opportunities for improvement, including a proposed timeline for actions. The General Auditor must also communicate the results of the assessments to the Board and senior management.

In our last external quality assessment, conducted in 2023, we received a "Generally Conforms" rating, the highest possible rating. This means we have policies, procedures, and a charter in place, and the performance and results of these areas were evaluated to be in conformance with the Standards.

QAIP Results for FY 2024/25

In conducting this assessment, the General Auditor utilized the Institute of Internal Auditors' surveys to obtain anonymous feedback from staff, management, and the Board of Directors. Management included all executive leadership and those connected with the audit reports issued during the year.

The General Auditor received responses from six staff, eight managers, and five board members. This year's participation level was slightly higher than last year's. The surveys received identified both positive feedback and opportunities for improvement. In addition to the survey data, the Audit Department evaluated its policies, procedures, and practices, as well as the progress made in the areas identified for improvement during the last external quality assessment. During the assessment period, the General Auditor made progress in the areas identified in 2023, and that progress continued in the current fiscal year.

Metropolitan's Administrative Code Section 6451(d)(6) requires the Audit Department to perform a quality assurance program by which the General Auditor evaluates internal auditing activities against professional standards and obtains an external quality assurance review as required by the Standards.