



Audit Committee

FY 2023/24 Quality Assurance & Improvement Program Results

Item 7b

March 25, 2025

Item 7b
Quality
Assurance &
Improvement
Program
(QAIP)
Results

Subject

Quality Assurance & Improvement Program Internal
Assessment Results

Purpose

To share the results of the Internal Assessment for
FY 2023/24

QAIP

What is the Internal Assessment?

- Mandated in the Institute of Internal Audit (IIA) Standards
- Performed annually between each five-year External Assessment
- Covers four areas:
 - Internal Audit Governance
 - Internal Audit Staff
 - Internal Audit Management
 - Internal Audit Process

QAIP FY 23-24

Objectives

Evaluate conformance to the IIA's Standards

Scope

Audit Department efficiency and effectiveness in executing its mission, as set forth in the Charter.

Methodology

- Reviewed survey data received from internal audit's stakeholders and internal audit staff.
- Evaluated information prepared by the department.
- Assessed progress on the Institute of Internal Auditors' External Quality Assessment Report – conformance gaps and opportunities for improvement.

Survey Results: Audit Staff



Governance

100%

- Audit activity adds organizational value
- CAE promotes the value of internal audit function
- Department conforms to IIA's:
 - Principles and Rules of Conduct
 - *International Standards for the Professional Practice of Internal Auditing* (objectivity/due professional care) and the Code of Ethics
- Department has:
 - A conflict-of-interest policy and process
 - Unrestricted access to records, information, locations, and employees

Survey Results: Board/ Management



Governance



- Department respects value and privacy of information.
- Department exhibits a high level of professional objectivity and is not influenced by own interests or by others in forming judgments.
- Department adds value and helps organization accomplish its objectives.
- Department establishes confidence as trusted advisor within the organization.
- Department placement ensures independence and ability to fulfill its responsibilities.
- Department has unrestricted access to records, information, locations, and employees.

Survey Results: Feedback

Governance

- Strengths:
 - Professional
 - Have integrity
 - Independent/checks & balances
 - Adds value – improved processes
- Opportunities:
 - More collaboration
 - Proactive District education – audit process, risk, controls, etc.
- Suggestions
 - Develop repository of past recommendations for reference by new employees to the District or a position.

Survey Results: Audit Staff

Key

Agree

Disagree

Don't Know

Internal Audit Staff

90%

6%

4%

- Management provides opportunities to develop knowledge (and skills) to:
 - Keep current with our industry and regulatory issues
 - Perform my engagements
- Management provides opportunities to develop:
 - Professionally and advance my career
 - Knowledge of key business processes, including critical success factors
 - Proficiency by encouraging professional certifications
- Staff has sufficient knowledge to identify “red flags” indicating possible fraud.

Survey Results: Audit Staff

Internal Audit Staff (cont.)

- Management provides opportunities to enhance my knowledge through in-house or outside training.
- Performance is reviewed on a regular basis and reviews are meaningful and helpful.
- Department is viewed as a valuable developmental assignment by other parts of organization.
- Staff has sufficient knowledge of key Information Technology risks and controls to perform audit engagements.

Survey Results: Board/ Management

Key



Internal Audit Staff

51%

22%

27%

- Communicates effectively (oral, written, and presentations)
- Keeps current with changes in our business, our industry, and relevant regulatory issues.
- Displays adequate knowledge of business processes, including critical success factors.
- Exhibits effective problem-identification and solution skills.
- Viewed as a viable source of talented individuals who can successfully transfer to other parts of our organization.
- Has effective conflict resolution and negotiation skills.

Survey Results: Audit Staff



Internal Audit Management

93%

5%

2%

- Has established policies and procedures that guide the operation of internal audit activity.
- Encourages collaboration between management and staff for effective and timely completion of engagements.
- Competently assesses effectiveness of:
 - Organization's internal controls
 - Risk management processes employed by management to achieve organization's objectives
 - Governance processes, including ethics-related programs and activities
- Promotes appropriate ethics and values across our organization.

Survey Results: Board/ Management



Internal Audit Management

62%

16%

22%

- Management communicates:
 - Effectively (oral, written, and presentations)
 - Audit plans to management of areas being reviewed (audit objectives and scope of review)
- Establishes annual audit plans of areas/topics significant to our organization and that align with organizational goals.
- Adequately assesses effectiveness (and adequacy) of:
 - Risk management processes employed by management to achieve objectives
 - Organization's system of internal controls
- Keeps current with changes in our business, our industry, and relevant regulatory issues.
- Promotes appropriate ethics and values within organization.

Survey Results: Feedback

Audit Staff & Management

- Strengths:
 - Approachable/collaborative
 - Responsive
 - Meaningful recommendations
 - Strong department leadership
 - Handle difficult situations well
- Opportunities:
 - Higher auditor EQ
 - Increased auditor knowledge of area/process under audit
 - Better defined career path within department

Survey Results: Audit Staff

Key

Agree

Disagree

Don't Know

Internal Audit Process

97%

3%

- Department develops and documents plan for engagements based on preliminary assessment of risks relevant to audit and engagement objectives reflect result of this risk assessment.
- Department uses computer-assisted audit techniques to facilitate data collection and analysis.
- Staff receives timely and constructive feedback regarding performance in completing engagements.
- Management and staff exhibit/demonstrate:
 - Proficient project management and organizational skills to assure timely completion of audit engagements.
 - Effective conflict resolution and negotiation skills.

Survey Results: Board/ Management

Internal Audit Process

53%

20%

27%

- Management and staff exhibit/demonstrate:
 - Proficient project management and organizational skills to assure timely completion of audit engagements.
 - Sufficient knowledge of key information technology risks and controls in performing audit engagements.
 - Knowledge to identify “red flags” indicating possible fraud when planning audit engagements.
- Audit reports are accurate, objective, clear, concise, constructive, complete, and timely.

Key

Agree

Disagree

Don't Know

Survey Results: Feedback

Internal Audit Process

- Strengths
 - Early communication with local management
 - Communication of the audit process
- Opportunities
 - More timely notification of new audits, observations
 - Communication of changes in project scope, project status
 - Timely completion of audits
 - Clarity of the report review and approval process
 - Improve knowledge transfer when auditor transitions occur on a project
- Suggestions:
 - Inquire with outgoing staff/retirees – any concerns
 - Allow all directors to review confidential audits electronically

Status of External Quality Assessment Observations

Key

Implemented
In Process
No Progress

Compliance Gaps

Details	Status
1. Current charter does not mandate adherence to the Core Principles as required by the Standards.	N/A
2. An internal assessment has not been performed since 2021.	Implemented
3. Last external quality assessment was an independent validation done in May 2017 – more than 5 years since the prior one.	Implemented
4. No evaluation of the design, implementation, and effectiveness of the organization’s ethics-related objectives, programs, and activities has been conducted.	No Progress
5. Engagement level risk assessments not consistently used to narrow audit objectives to most significant risks.	Implemented
6. Work papers lacked evidence of timely supervision, including review and approval.	No Progress
7. Final engagement communications did not consistently include the engagements’ objectives and scopes or management responses and action plans.	Implemented
8. Recommendations communicated to management did not consistently focus on the cause of the conditions identified; numerous engagements were not reported to management and the board timely.	In Process

Status of External Quality Assessment Observations

Key

Implemented
In Process
No Progress

Improvement Opportunities

Details	Status
<p>1. Talent Management: Internal Audit has high-level job descriptions but could benefit from doing an analysis that ties in the IIA competency framework.</p> <p>IT Related Credentials: Internal Audit should continue to evaluate resources in this area.</p>	In Process
2. Overall use of data analytics remains immature.	In Process
3. Internal Audit strategic plan could be strengthened by creating a 3-5 year rolling plan that is updated annually.	In Process
4. Department manual was last updated in March 2012.	No Progress
5. Key Performance Indicators should be generated within Internal Audit for use in monitoring department progress.	No Progress
6. Clarification is needed to identify who Internal Audit is to assist and what Internal Audit's role is in fraud investigations.	In Process
7. IA Charter has not been updated in several years.	Implemented
8. There is no defined consistent risk framework used across the company; Internal Audit should explore these opportunities to add value to Metropolitan.	No Progress
9. There is no formal risk protocol or process in place for reporting risks identified outside of the audit reporting process.	In Process



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Thank You

