



Quality Assurance and Improvement Program

Auditor-Controller/Treasurer-Tax Collector

Financial Reporting and Audits Division

Audit Unit

May 1, 2023

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Introduction

The Financial Reporting & Audits Division (Division) of the Auditor-Controller/Treasurer-Tax Collector Department (Department), has elected to follow the Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), more commonly referred to as the "Red Book" standards (Standards) for the audits it performs.

As required by these standards the Division must develop and maintain a quality assurance and improvement program (QAIP) to encompass all aspects of the internal audit activity.

The QAIP is designed to provide reasonable assurance to the various stakeholders that the internal audit activity:

- Performs its work in accordance with its audit charter, which is consistent with the Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and improving Internal Audit's operations.

The Chief Audit Executive (CAE) is ultimately responsible for the QAIP, which covers all types of internal audit activities, including consulting. As a part of the Division's QAIP, the following policies have been established.

Ethical Principles

To serve the best interests of the public, staff are expected to apply and uphold the following principles including integrity, objectivity, confidentiality, competency, and independence, in discharging their professional responsibilities.

- Auditors will conduct their work with intellectual honesty and an attitude that is objective, fact based, nonpartisan, and non-ideological with regards to audited departments/entities and users of the auditors' reports.
- Auditors will complete, at a minimum, two hours of ethics training each fiscal year.
- Auditors will maintain confidentiality. Governmental information and resources are to be used for official purposes and not for personal gain. Auditors will be prudent in the use and protection of information acquired in the course of their duties and will not use it in any manner contrary to the law or ethical objectives of

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the County. Proper handling of sensitive information must be maintained to protect confidentiality.

- Auditors will receive HIPAA training annually.
- Audit work papers will be stored and filed in limited access electronic software.
- Auditors are expected to use professional behavior and care in conducting their work. This includes auditors putting forth an honest effort in the performance of their duties and professional services in accordance with the relevant technical and professional standards. Auditors must apply the care and skill expected of a reasonable, prudent and competent auditor. Additionally, auditors must avoid illegal activity and actions that could discredit their work or cause an objective third party to conclude the auditors' work is professionally deficient.

Independence

The Division activity must be independent and internal auditors must be objective in performing their work. Their opinions, findings, conclusions, judgments and recommendations must be viewed as impartial by objective third parties with knowledge of relevant information. To enhance independence and objectivity, the following policies will be observed:

- Training related to independence standards will be conducted periodically.
- Audit reports will be posted to the Department/Division's web page.
- The Auditor-Controller/Treasurer-Tax Collector or designee (ACTTC) will report the internal audit activity of the Division and present audit reports of completed audits to the Fresno County Audit Committee. The Audit Committee will be comprised of the County Administrative Officer, County Counsel, two Board of Supervisor members, one rotating department head and two public members. Audit Committee meetings will be scheduled on a quarterly basis.
- The Department/Division will not issue independent audit reports on accounting functions within the Department though it may evaluate those functions. Where independent reports are required or desired for the Department, those functions will be performed or overseen by independent external auditors.
- The performance of non-audit services will be evaluated to determine if the performance of these services will create impairment to independence either in fact or in appearance. Only those that are judged to not create impairment will be accepted.

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- Auditors participating on an audit assignment must be free from personal impairments to independence. Annually, audit staff members will complete independence statements which will be maintained by the CAE. Auditors are expected to notify the CAE and/or the audit lead in the event they have any personal impairment to independence regarding any particular assignment.
- Audit planning procedures will require staff to address their independence prior to continuing with other audit procedures. Documentation will be retained in the audit file.
- Staffing assignments will be reviewed, and adjusted if necessary, to avoid real or perceived personal impairments to audit independence. Staff performing accounting functions for any part of the county or any entity the Division may audit, will not be assigned to work on an audit of that function, entity or area. Exception may be made in instances that non-audit services do not impair independence where supplemental safeguards are implemented. In all instances, management and supervisors will consider relevant codes, the significance to the audit of the operational function performed, required disclosures and any appearance of a lack of independence in determining potential impairments to staff participating in particular audits.
- Annually the ACTTC will confirm the organizational independence of the internal audit activity with the Audit Committee and present its annual audit plan for review and acceptance.

Competency

The Department will recruit and hire staff meeting the requirements determined for Accountant I-II, Senior Accountant and management classifications. Recruitment will be processed through the Human Resources Department which controls the hiring process and screens applicants for required education and experience. In addition, to develop and maintain qualified staff:

- Division staff will be provided a minimum 40 hours of audit and accounting training annually, with at least 30 hours of training each fiscal year focused on relevant governmental accounting and auditing topics. This 40 hours of training must also include 8 hours of fraud training and 2 hours of ethics education. Training will cover GAGAS, IIA Standards, Statements on Auditing Standards (SAS), Generally Accepted Accounting Principles (GAAP), other relevant standards, laws, regulations, and fraud. In addition, staff will receive training on the use of audit aids, software, policies and procedures, and other topics as deemed necessary.

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- The Division will prepare a training plan annually to assess and address the individual training requirements of staff. Continuing professional education (CPE) records will be retained for each staff member and the Division as a whole. Staff will be evaluated at least annually for their performance and knowledge. New/probationary staff will be evaluated at least twice each year. Evaluations will be retained in the employee's permanent file.
- In the event of disagreements among audit team members, including specialists, on any audit engagement, disagreements will be documented in the work papers. Management will work with staff to confer, research and resolve such issues and will be responsible to determine the final decision.
- Each staff will be provided the Department's Professional Expectations document explaining the professional expectations, including competency, of the Department. This document is read and then signed by each staff upon hire or a change in classification. Employee evaluations will be in part based on the expectations outlined in this document. A copy of the signed Professional Expectation document is to be placed in the employee's permanent file.
- The Department encourages staff to become Certified Internal Auditors (CIAs), and will provide necessary audit experience and oversight. The Department will sign off on experience requirements for qualified applicants.
- The Division's Chief and Supervisors will evaluate and assign staff to ensure that audit resources are appropriate, sufficient, and effectively deployed. Staff will be assigned to engagements suitable to their experience and skills with less experienced staff placed with more experienced lead auditors where appropriate.

Acceptance and Continuation of Engagements

The Department will evaluate the risks associated with the acceptance of any audit engagement within the County structure, evaluate staff resources and determine if the engagement should be performed.

- Consideration of the acceptance and continuance of any audit engagement will be documented in the audit work papers.
- In the event of disagreement over audit progression, compliance, or other areas on the part of any County department under audit, the Department will bring the issue to the attention of the Audit Committee for resolution.

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Documentation

Audit documentation constitutes the Division's record of the work that the auditors have performed in accordance with standards and the conclusions that the auditors have reached.

- Auditors will prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit to understand the documentation and the conclusions reached. The documentation will support findings, conclusions, and recommendations.
- Audit documentation will be maintained in accordance with California Business and Professions Code Section 5097. Audit files will be maintained for a minimum of seven years including any additional time necessary to satisfy professional standards and to comply with other applicable laws and regulations.
- Audit records beyond the above retention period will be destroyed according to the County's approved document retention and destruction policy.

Quality Assurance Monitoring

The ACTTC has the ultimate responsibility for the quality of work within the Department and Division and is actively involved in the broad oversight of the audit function. The ACTTC has delegated to the Deputy Auditor-Controller responsibility for the day to day oversight of the general operations of the Division and other divisions. The CAE is directly responsible for the work of the auditors with supervisors performing the detailed review of audit work papers and direct supervision of staff.

- The CAE will be involved in the final review of audit work and development and approval of corresponding findings.
- On an annual basis, the ACTTC, the Deputy Auditor-Controller and/or the CAE will review completed reports on a sample basis to assess compliance with applicable professional standards and quality control policies and procedures for IIA audits. These individuals will not have been members of the audit team of any audit under review. At a minimum this review will include:
 - An objective evaluation of the significant judgments made by the engagement team and the conclusions reached in the resulting report.
 - A reading of the auditor's report and consideration as to whether it is appropriate for the circumstances.
 - A review of selected engagement documentation related to the significant judgments and conclusions reached.

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- A discussion with the Audit Supervisor regarding significant findings and issues.

Annually, the ACTTC will meet with management and staff to discuss the outcome of monitoring activities and conclusions reached as to compliance with standards and how to address any noted deficiencies. The results of the internal assessment will be reported to the Audit Committee and management at least annually.

- The ACTTC will be notified of and will be responsible to address and oversee the resolution of any complaints or allegations of noncompliance with professional standards, applicable laws or regulations or of quality of work.
- The Division will have an external Peer Review performed every five years, by an organization qualified to perform the review.
 - The results of the Peer Review will be presented to the County's Audit Committee accompanied by a written action plan in response to significant comments and recommendations contained in the report.
 - The Peer Review report will be posted to the Department/Division's web page and will otherwise be made available to the public upon request.
 - The CAE will implement appropriate follow-up actions to ensure that recommendations made in the report and action plans developed are implemented in a reasonable timeframe.

The Quality Assurance and Improvement Program will be discussed with audit staff at least annually. Auditors will be asked to read this document and sign a form stating that they have read and understand the policies. Signed forms will be placed in the employee's personnel file.