



Agenda Item 6b

December 10, 2012

ITEM NAME: Audit Resolution Policy Revision

PROGRAM: Audit Services

ITEM TYPE: Action

RECOMMENDATION

Approve the revised Audit Resolution Policy

EXECUTIVE SUMMARY

This agenda item is to propose revisions to the existing Audit Resolution Policy, which was last updated and approved by the Board of Administration in March 2011.

STRATEGIC PLAN

This item is not a specific product of the Strategic Plan, but is required by the Board approved Office of Audit Services Charter.

BACKGROUND

In accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing (Standards)*, the Chief Auditor is required to establish a follow-up process to monitor audit findings and to ensure management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

The Audit Resolution Policy provides a system to track corrective actions or acceptance of risk taken by management on reported audit issues and to convey these actions to Executive management and to the Risk and Audit Committee in keeping with the Board of Administration's fiduciary oversight responsibilities.

ANALYSIS

The proposed revised policy is set forth in Attachment A. (A red-line/strikeout version is attached as Attachment B.) The key changes from the current policy include the following:

- All references to the Finance Committee have been replaced with Risk and Audit Committee.
- The section previously titled "Findings Unresolved for One Year and Acceptance of Risk" has been split into two sections to allow for the possibility of accepting risk before one year has transpired, in addition to continuing to enforce a one-year limit. In addition, language was clarified to note that any

acceptance of risk should be from the Deputy over the audited division, as opposed to the more generic term “executive” in the previous version.

- Within the Public Agency Reviews section, the employer has 120 calendar days to resolve findings, rather than 90 calendar days, to align with the program’s guidelines for issue resolution with employers.

BENEFITS/RISKS

Benefit of approving the revised Audit Resolution Policy is that it is part of the regular and ongoing workload of the Office of Audit Services. The policy supports a key aspect of Enterprise Risk Management by ensuring management promptly takes corrective action on audit findings or explicitly and transparently accepts the risk of not implementing corrective action.

ATTACHMENTS

Attachment 1 – Proposed Revised Audit Resolution Policy

Attachment 2 – Red-line/strikeout version of the Audit Resolution Policy

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