



Agenda Item 3b

November 19, 2013

ITEM NAME: Audit Resolution Policy Revision

PROGRAM: Audit Services

ITEM TYPE: Action Consent

RECOMMENDATION

Approve the revised Audit Resolution Policy.

EXECUTIVE SUMMARY

This agenda item is to propose revisions to the existing Audit Resolution Policy. The policy is updated periodically and was last updated and approved by the Board of Administration in December 2012.

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 1. (A red-line/strikeout version is attached as Attachment 2.) The key changes from the current policy include the following:

- All references to the Executive Risk Committee have been replaced with Enterprise Risk Management Committee.
- The section titled Acceptance of Risk has been revised to include explicitly reference Government Code section 13887.5(a).

- The section titled Investment Program Audits Defined has been updated to define an agreed-upon procedures engagement, which is consistent with American Institute of Certified Public Accountants (AICPA) Attestation Standards.

BUDGET AND FISCAL IMPACTS

Not Applicable.

BENEFITS/RISKS

The benefit of approving the revised Audit Resolution Policy is that it is an enhancement and clarification of the existing Audit Resolution Policy 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. The risk of not adopting the updated policy is continued reliance on an outdated policy, and less clarity of risk management roles within the enterprise.

ATTACHMENTS

Attachment 1 – Proposed Revised Audit Resolution Policy

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

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