

April 19, 2016

**Item Name:** Audit Resolution Policy Revision

**Program:** Audit Services

**Item Type:** Information

**Recommendation**

Not Applicable.

**Executive Summary**

This agenda item outlines revisions to the existing Audit Resolution Policy (Policy). The Policy is updated periodically and was last updated and approved by the Board of Administration in November 2013.

**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 executive staff has accepted the risk of not taking action.

The 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 staff and to the Risk and Audit Committee in keeping with the Board of Administration's fiduciary oversight responsibilities.

**Analysis**

Attachment 1 is the proposed Policy. Attachment 2 displays the existing Policy with the proposed changes. The key changes from the existing Policy include the following:

- The Public Agency Reviews section of the Policy has been modified and made more consistent with the Internal Audits section.
  - The Resolution Options section has been revised to include the Office of Audit Services' review and verification that corrective action has been implemented as identified in the final audit report.
  - The Acceptance of Risk section has been added.

- The Acceptance of Risk sections for both Internal Audits and Public Agency Reviews have been revised to provide a process for enterprise wide tracking of acceptance of risk. Specifically:
  - The Chief Auditor will report acceptance of risk to the Chief Risk Officer and the Integrated Assurance Risk Team.
  - The Chief Risk Officer will track all accepted risks for inclusion in the enterprise risk monitoring process.
- The Internal Audits, the Findings Unresolved for One Year section now includes the option for the division to provide a written explanation and corrective action plan.
- Acceptance of risk has been included as an option to the Investment Program Audits.
- Other minor edits were made to ensure consistent language was used within the Policy and to add clarification.

**Budget and Fiscal Impacts**

Not Applicable.

**Benefits and Risks**

The Policy (as revised) provides the following benefits:

- Enhances the existing Policy to clearly identify the process for resolving findings from Public Agency Reviews; and
- Supports Enterprise Risk Management by clarifying risk management roles and ensuring management promptly takes corrective action on audit findings or transparently accepts the risk of not implementing corrective action.

The risks in not implementing the Policy (as revised) are:

- Risk management roles are not as clear as they could be; and
- Resolving findings from Public Agency Reviews are not as clear as they could be.

**Attachments**

Attachment 1 – Proposed Revised Audit Resolution Policy

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

---

BELIZ CHAPPUIE, Chief  
Office of Audit Services

---

MATTHEW G. JACOBS  
General Counsel

