



## Office of the City Auditor Policies and Procedures

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**Number:** 1.7**Title:** Quality Control and Assurance**Original Date:****Revision Date:****Last Review Date:****Approved by:**

02/11/2008

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### I. References

See *Government Auditing Standards*, also referred to as *GAGAS (Generally Accepted Government Auditing Standards)*, July 2007 Revision, Section 3.50, Quality Control and Assurance and Sections 3.51-3.54, System of Quality Control.

### II. Policy

- A. The Office of the City Auditor (OCA) shall have a Quality Control System (QCS) to provide reasonable assurance that OCA and its staff comply with *GAGAS* and applicable regulatory requirements. This system shall include policies and procedures that collectively address the following elements:
1. Leadership responsibilities for quality within the audit organization;
  2. Independence, legal, and ethical requirements;
  3. Initiation, acceptance, and continuance of audit engagements;
  4. Human resources;
  5. Audit performance, documentation, and reporting; and
  6. Monitoring of quality.
- B. OCA policies and procedures shall be documented and properly communicated to all OCA personnel.
- C. The OCA shall annually assess its QCS to determine whether there are any systemic issues needing improvement, and if applicable, implement recommendations for corrective actions.
- D. The OCA shall undergo external peer review at least once every three years.

### III. Purpose

To establish the OCA's Quality Control System designed to provide reasonable assurance that OCA and its staff comply with *GAGAS* and applicable regulatory requirements.

### IV. Definitions

- A. **ALGA Quality Control System Checklist** – form containing selected compliance-related requirements used by the Association of Local Government Auditors (ALGA) peer review teams to assess whether the audit organization under review complied with its established system of internal controls and *GAGAS*.
- B. **ALGA Engagement Checklist** – form containing selected compliance-related requirements used by the Association of Local Government Auditors (ALGA) peer review teams to assess whether the audit engagement under review complied with the audit office's established system of internal controls and *GAGAS*.
- C. **Audit project checklist** – internally-generated form containing selected compliance-related requirements completed for each audit project to demonstrate compliance with OCA policies and procedures, the OCA Quality Control System, and with *GAGAS*.
- D. **Independent review** – internal assessment conducted by the OCA Quality Control and Assurance Team designed to assess the adequacy of the OCA's Quality Control System and the validity and accuracy of information presented in selected audit reports as well as to verify whether compliance with *GAGAS* was achieved for the selected projects. The reviews are conducted by staff outside of the chain-of-command for the audit projects reviewed.
- E. **Peer review** – assessment of the adequacy of OCA's Quality Control System conducted every three years by a team of individuals that are independent of OCA.
- F. **Quality Control System (QCS)** - collection of OCA's formal and informal controls designed to provide reasonable assurance of complying with *GAGAS* and regulatory requirements, including OCA's policies and procedures, leadership and oversight structure, and general emphasis on performing high-quality work.
- G. **Quality Control and Assurance Team (QCAT)** – group of OCA staff appointed by the City Auditor each fiscal year to conduct independent reviews of audit projects and review OCA's Quality Control System.

## V. Procedures/Responsibilities

- A. The **City Auditor (CA)** or **designee** is responsible for ensuring that OCA has a Policy Manual that includes all of the OCA's policies and procedures which comprehensively address the elements listed in the table below. The table below links the required quality control elements contained in GAGAS requirements to the associated OCA policies and procedures.

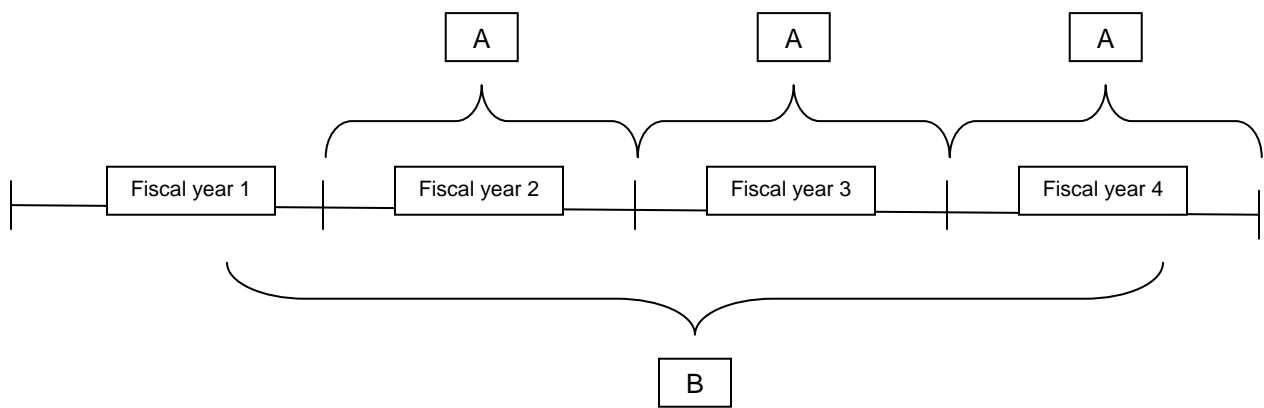
REQUIRED ELEMENT	DESCRIPTION	OCA POLICIES
1. Leadership responsibilities for quality within the organization	Policies and procedures that designate responsibility for quality of audits under GAGAS, and communications of policies and procedures relating to quality.	Policy 1.3, Professional Standards Policy 1.7, Quality Control and Assurance Policy 3.1.1, Audit Process
2. Independence, legal, and ethical requirements	Policies and procedures designed to provide reasonable assurance that OCA and its staff maintain independence, and comply with applicable ethical requirements.	Policy 3.1.2, Independence Policy 3.1.6, Reporting of Possible Illegal Acts Policy 2.2.1, Non-Audit Services Policy 6.4.1, Code of Ethics
3. Initiation, acceptance, and continuance of audit engagements	Policies and procedures for the initiation, the acceptance, and the continuance of audits, designed to provide reasonable assurance that the audit organization will undertake audits only if it can comply with GAGAS and ethical principles and is acting within the legal mandate of the organization.	Policy 3.1.2, Independence Policy 6.4.1, Code of Ethics Policy 2.2.1, Non-Audit Services
4. Human resources	Policies and procedures designed to provide OCA with reasonable assurance that it has staff with the capabilities and competences to perform its audits in accordance with GAGAS and legal and regulatory requirements.	Policy 3.1.3, Assessing Audit Team competence Policy 3.1.4, Use of Outside Experts Section 6 of Policy Manual, OCA Personnel OCA standard procedures for hiring
5. Audit performance, documentation, and reporting	Policies and procedures designed to provide OCA with reasonable assurance that audits are performed and reports are issued in accordance with GAGAS and legal and regulatory requirements.	Policy 1.3, Professional Standards Section 3 of Policy Manual, Audit Process
6. Monitoring of quality	An ongoing, periodic assessment of work completed on audits designed to provide OCA management with reasonable assurance that the policies and procedures related to the system of quality control are suitably designed and operating effectively in practice.	Policy 1.7, Quality Control System Policy 3.1.7, Ensuring Compliance with OCA Audit Policies and Procedures

- B. To ensure ongoing monitoring of OCA's QCS, the **City Auditor** shall annually appoint OCA staff to a Quality Control and Assurance Team (QCAT).
1. The QCAT shall be comprised of at least two auditors or investigators.

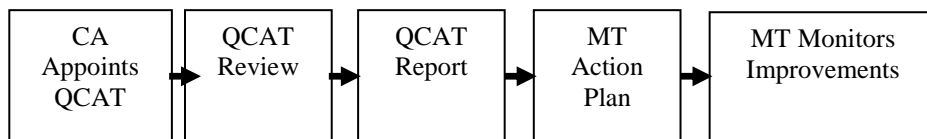
2. Individuals appointed to QCAT should collectively have sufficient expertise and authority to perform monitoring requirements.
- C. The **QCAT** shall perform an annual independent review of OCA's QCS.
1. The scope of review will be the outputs completed during the previous fiscal year.
  2. The review will evaluate the level of adherence to GAGAS, whether the quality control system has been appropriately designed to provide for adherence to GAGAS, and whether quality control policies and procedures are operating effectively and are being complied with in practice.
  3. The QCAT should select a subset of GAGAS standards listed in the *ALGA Quality Control System Checklist* and review appropriate documents and interview OCA staff and management as appropriate to assess compliance with relevant GAGAS requirements.
  4. As part of their independent review, the **QCAT** will also review a sample of audit projects completed in the previous fiscal year. This independent review will involve the following:
    - a. the selection of a sample of audits completed in the previous fiscal year which represent a reasonable cross-section of types of work performed and ACA teams involved during the review period;
    - b. the review and verification of the sufficiency and appropriateness of evidence supporting the information presented in the audit report; and
    - c. a review of the *Audit Project Checklist* for each audit selected to verify whether compliance with GAGAS was achieved.
- F. If a member of the QCAT participated in or was in the chain of command of an audit project selected for review, that member shall not perform the review of that audit. If there are no QCAT members who were not involved in an audit project selected for review, the **CA** will select an alternate to conduct that review.
- G. The **QCAT** will provide to the **CA** with a written summary of the results of their independent review of OCA's QCS. The summary should include an assessment of OCA's QCS System, any issues or concerns identified, and recommendations for any needed corrective actions.
- H. Upon receipt of the QCAT annual assessment, the **CA** shall direct the **Management Team (MT)** to develop and implement an action plan to address the recommendations for corrective action, and monitor its implementation. The plan will be filed in the OCA Admin files, and the **CA**, along with the OCA Management Team, will monitor implementation of the plan. As appropriate, a copy of this action plan will also be filed within the audit working papers of the audits selected for review.

- I. The **CA** or **designee** is responsible for scheduling a peer review every three years.
  1. Such review shall be performed by reviewers independent of OCA, and organized through the Association of Local Government Auditors (ALGA).
  2. The **peer review team** should determine whether, during the period under review, OCA’s Quality Control System was suitably designed to provide OCA reasonable assurance of conforming to applicable GAGAS.
  3. The **peer review team** shall issue an opinion as to the adequacy of OCA’s Quality Control System, and that opinion shall be presented to the City’s Audit and Finance Committee.

**Process Overview**



**A** - Annual Internal Review of Quality Control System (for previous fiscal year) performed at start of each fiscal year



**B** - External Peer Review covering a 3-year period that does not necessarily coincide with fiscal years