



*Peer Review of the
PORT OF SEATTLE
Internal Audit Department*

August 7, 2012



Presentation Overview

- I. The Peer Review Team**
- II. The Association of Local Government Auditors**
- III. Review Objectives**
- IV. Auditing Standards**
- V. Expected Deliverables**



The Peer Review Team

I The Peer Review Team

- **Ruthe Holden, CPA, CISA, CIA, CGAP, CGMA**
☒ Chief Auditor, LACMTA

II A.L.G.A.

III Auditing Standards

- **David Schroeder, CPA, CISA**
☒ City Auditor, City of Houston

IV Review Objectives

- **Jan Williams, CPA, CIA, CGAP**

V Results of the Review

- ☒ Internal Auditor II, VIA Metropolitan Transit

- **Nicole Rollins**

- ☒ Senior Auditor, Jackson County, Oregon



The Association of Local Government Auditors

I The Peer
Review Team

● Professional Organization:

☒ Over 2,500 members

II A.L.G.A.

III Government
Auditing
Standards

● A.L.G.A. Objectives:

☒ Improve local government auditing

☒ Provide a forum for exchanging information

☒ Encourage and uphold highest professional standards

IV Review
Objectives

V Results of the
Review

● A.L.G.A provides peer review services

Association of Local Government Auditors



Auditing Standards

I The Peer
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II A.L.G.A.

III **Auditing
Standards**

IV Review
Objectives

V Results of the
Review

● **Government Auditing Standards**

- 📖 **Issued by the Comptroller General of the United States**
- 📖 **Yellow Book**
- 📖 **Applicable for federal, state and local government auditors**

● **International Professional Practices Framework**

- 📖 **Issued by the Institute of Internal Auditors**
- 📖 **Red Book**
- 📖 **Applicable to all internal audit departments**

Association of Local Government Auditors



Quality Control Reviews

I The Peer
Review Team

External Peer Review

☐ GAGAS every 3 years

☐ IIA every 5 years

II A.L.G.A.

III Auditing
Standards

Internal Self Assessment

☐ GAGAS – annual monitoring

☐ IIA – annual internal quality self assessment

IV Review
Objectives

V Results of the
Review



Review Objectives – Phase 1

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II A.L.G.A.

Review
III Objectives

IV Auditing
Standards

V Results of the
Review

- **Assess the adequacy of the audit organization's internal quality control system:**

- ▢ **Examine established policies and control procedures for adequate design**

“**establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements...**”



Review Objectives – Phase 2

● **Assess whether Auditing Standards were followed:**

- 📁 **Examine work papers for a compliance to Quality Control System**
- 📁 **Review continuing professional education & staff qualifications**
- 📁 **Review governance & management of Internal Audit Department**
- 📁 **Interview audit personnel & key stakeholders**

I The Peer Review Team

II A.L.G.A.

III **Review Objectives**

IV Auditing Standards

V Results of the Review



General Standards

I The Peer
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II A.L.G.A

III Review
Objectives

IV **Auditing
Standards**

V Results of the
Review

● Independence & Objectivity

NEW for GAGAS

- ◆ Application of Conceptual Framework
- ◆ Threats
- ◆ Safeguards
- ◆ Non-Audit Services (Specific requirements)

● Proficiency & Due Professional Care

Qualifications

Professional Development



Attribute Standards

I The Peer
Review Team

II A.L.G.A.

III Review
Objectives

IV **Auditing
Standards**

V Results of the
Review

● **Specific to Red Book:**

- 📄 **Audit Charter for Internal Audit**
- 📄 **Direct Interaction with Board**
- 📄 **Annual entity-wide Risk Assessment**
- 📄 **Annual Risk Based Audit Plan**
- 📄 **3 Mandatory Annual Board Communications**
 - ◆ **Independence**
 - ◆ **Internal Audit Department's Charter**
 - ◆ **Internal Quality Self Assessment**



Engagement Standards

I The Peer
Review Team

II A.L.G.A.

III Review
Objectives

IV **Auditing
Standards**

V Results of the
Review

● **Field Work Standards:**

-  **Planning**
-  **Supervision**
-  **Compliance with laws and regulations**
-  **Management controls**
-  **Evidence**



Engagement Standards

I The Peer
Review Team

● Reporting standards:

II A.L.G.A.

 **Timeliness**

III Review
Objectives

 **Contents**

IV **Auditing
Standards**

 **Distribution**

V Results of the
Review

 **Communicating Results**

 **Quality & Criteria of
Communications**

 **Resolving Management's
Acceptance of Risk**



Results of the Review

I The Peer
Review Team

- Issue 2 Reports

II A.L.G.A.

- Peer Review Report:

III Auditing
Standards

-  Pass

-  Pass with Deficiencies

IV Review
Objectives

-  Fail

V Results of the
Review

- Management Letter:

-  Exceptional performance

-  Deficiencies noted

-  Suggestions for improvement