



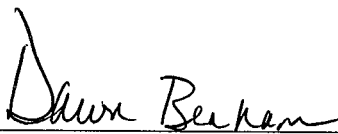
## Quality Assessment of the Internal Audit Function Independent Validation Report

Kathleen Shea  
Director of Program Evaluation and Audit  
Metropolitan Council

As representatives of the Twin Cities Chapter of The Institute of Internal Auditors (IIA), we were engaged to conduct an independent validation of the Metropolitan Council's Program Evaluation and Audit self-assessment. The primary objective of the validation was to verify the assertions made in the attached self-assessment report, concerning adequate fulfillment of the organization's basic expectations of the Program Evaluation and Audit and its conformity to the IIA's Standards for the Professional Practice of Internal Auditing. Other matters that might have been covered in a full independent assessment, such as in-depth analysis of best practices, governance, consulting services, and use of advanced technology, were excluded from the scope of this independent validation by agreement with the chief audit executive (CAE).

In acting as independent validators, pursuant to the framework approved by the Board of Governors of the Twin Cities Chapter of the IIA, we are fully independent of the organization and have the necessary knowledge and skills to undertake this engagement. Our validation, conducted on October 21 - 25, 2013, consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, we conducted interviews with the audit committee chair, chief audit executive, regional administrator (to whom the CAE reports directly), chief information officer, and external audit partner.

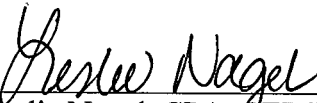
We have reviewed the results of the validation with the concurring reviewer on the engagement, A. Douglas Vickers. The independent validation team concurs fully with the Metropolitan Council Program Evaluation and Audit's conclusions in the self-assessment report attached.



Dawn Benham

12/12/13

Date



Leslie Nagel, CPA, CEBS, CIA

12/12/13

Date

CC: Patrick Born, Regional Administrator

**TOOL 21**  
**SELF-ASSESSMENT WITH EXTERNAL**  
**INDEPENDENT VALIDATION**

**METROPOLITAN COUNCIL**

**OCTOBER 2013**

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**PART I – MATTERS FOR CONSIDERATION OF METROPOLITAN COUNCIL  
MANAGEMENT**

1. The internal audit department has two CIAs on staff. The CAE has not met the CPE requirements of 40 hours per year (from 2011-2013) to be considered an active CIA. (Standard 1230)

**PART II – ISSUES SPECIFIC TO THE INTERNAL AUDIT ACTIVITY**

None

## EXECUTIVE SUMMARY

The self-assessment team conducted a quality assessment (QA) of the internal audit (IA) activity of the Metropolitan Council in preparation for validation by an independent assessor. The principal objective of the QA was to assess the IA activity's conformance to The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*.

### OPINION AS TO CONFORMITY TO THE *STANDARDS*

**It is our overall opinion that the IA activity generally conforms to the *Standards* and Code of Ethics.** For a detailed list of conformance to individual standards, please see Attachment A. The QA team identified opportunities for further improvement, details of which are provided in this report.

The IIA *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally Conforms" is the top rating and means that an IA activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially Conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

### SCOPE AND METHODOLOGY

As part of the preparation for the QA, the IA activity prepared a self-study document with detailed information and sent out surveys to its staff. Customer service surveys and client post engagement surveys were also reviewed. A summary of the staff survey results (without identifying the individual survey respondents) has been furnished to the IA activity. The team also reviewed the IA activity's risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, and a representative sample of the IA activity's workpapers and reports.

### OBSERVATIONS AND POSITIVE ATTRIBUTES

The IA activity environment is well-structured and progressive, where IIA *Standards* are understood and management is endeavoring to provide useful audit tools and implement appropriate practices. Some successful practices in place are:

- Automated audit software.
- Frequent professional training for IA activity staff (including training directed toward obtaining the Certified Internal Auditor designation).
- Development of self-assessment tools for operating and financial controls and facilitation of their use.
- Concise reports with a focus on risk.

- A good reputation and credibility with customers.

Consequently, the comments and recommendations by the team are intended to build on this foundation already in place in the IA activity.

## RECOMMENDATIONS

The recommendations are divided into two groups:

- Those that concern the Metropolitan Council as a whole and suggest actions by senior management. Although these are matters outside the scope of the self-assessment, they are included because they are useful to Metropolitan Council management and impact the effectiveness of the IA activity and the value it can add.
- Those that relate to the IA activity's structure, staffing, deployment of resources, and similar matters that should be implemented within the IA activity, with support from senior management.

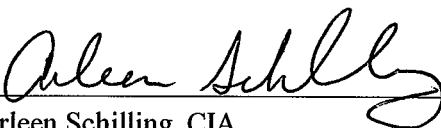
Highlights of the more significant recommendations are set forth below, with details in the main body of the report.

## PART I – MATTERS FOR CONSIDERATION OF METROPOLITAN COUNCIL MANAGEMENT

1. **Internal audit has two CIAs on staff. The CAE has not met the CPE requirement of 40 hours per year for 2011-2013 to be considered an active CIA. (Standard 1230)**

## PART II – ISSUES SPECIFIC TO THE INTERNAL AUDIT ACTIVITY

None



Arleen Schilling, CIA

Self-assessment Team Leader

### Self-assessment Team Members:

Katie Shea, CIA

## OBSERVATIONS AND RECOMMENDATIONS

### PART I – MATTERS FOR CONSIDERATION OF METROPOLITAN COUNCIL

These observations and recommendations originated principally from the comments received from the management survey,. All are of direct importance to enhancing effectiveness and added value of the IA activity.

<p><b>1. Observation</b> The organization has two CIAs on staff. One of these (the CAE) has not met the CPE requirement of 40 hours per year (from 2011 to 2013) to be considered an active CIA. (Standard 1230 – Continuing Professional Development)</p>
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<p><b>Recommendation</b> The CAE should obtain the required CPE as soon as possible. If the CAE has attended applicable training, these should get logged to evidence sufficient CPE has been obtained.</p>
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<p><b>Senior Management Response</b></p>
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### PART II – ISSUES SPECIFIC TO THE INTERNAL AUDIT ACTIVITY

<p><b>1. Observation</b> None</p>
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<p><b>Recommendation</b></p>
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<p><b>Internal Audit Response</b></p>
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# ATTACHMENT A STANDARDS CONFORMANCE EVALUATION SUMMARY

## METROPOLITAN COUNCIL

		("X" Evaluator's Decision)		
		GC	PC	DNC
<b>OVERALL EVALUATION</b>		X		
<b>ATTRIBUTE STANDARDS</b>		X		
<b>1000</b>	<b>Purpose, Authority, and Responsibility</b>	X		
1010	Recognition of the Definition of Internal Auditing	X		
<b>1100</b>	<b>Independence and Objectivity</b>	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1120	Individual Objectivity	X		
1130	Impairments to Independence or Objectivity	X		
<b>1200</b>	<b>Proficiency and Due Professional Care</b>	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development		X	
<b>1300</b>	<b>Quality Assurance and Improvement Program</b>	X		
1310	Requirements of the Quality Assurance and Improvement Program	X		

		("X" Evaluator's Decision)		
		GC	PC	DNC
1311	Internal Assessments	X		
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
1322	Disclosure of Nonconformance N/A	X		
<b>PERFORMANCE STANDARDS</b>		X		
<b>2000</b>	<b>Managing the Internal Audit Activity</b>	X		
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination	X		
2060	Reporting to Senior Management and the Board	X		
<b>2100</b>	<b>Nature of Work</b>	X		
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
<b>2200</b>	<b>Engagement Planning</b>	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		



		("X" Evaluator's Decision)		
		GC	PC	DNC
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
<b>2300</b>	<b>Performing the Engagement</b>	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
<b>2400</b>	<b>Communicating Results</b>	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
<b>2500</b>	<b>Monitoring Progress</b>	X		
<b>2600</b>	<b>Management's Acceptance of Risks</b>	X		
<b>IIA Code of Ethics</b>		X		
<b>Definition of Internal Auditing</b>		X		

## Definitions

**GC – “Generally Conforms”** means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, “successful practice,” etc.

**PC – “Partially Conforms”** means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organization.

**DNC – “Does Not Conform”** means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

# ATTACHMENT B

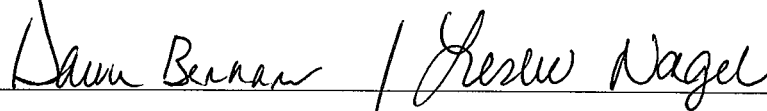
## INDEPENDENT VALIDATOR STATEMENT

The validators were engaged to conduct an independent validation of the Metropolitan Council internal audit (IA) activity's self-assessment. The primary objective of the validation was to verify the assertions made in the attached quality self-assessment report concerning adequate fulfillment of the organization's basic expectations of the IA activity and its conformity to The Institute of Internal Auditors' (The IIA's) *International Standards for the Professional Practice of Internal Auditing (Standards)*. Other matters that might have been covered in a full independent assessment, such as an in-depth analysis of successful practices, governance, consulting services, and use of advanced technology, were excluded from the scope of this independent validation by agreement with the chief audit executive (CAE).

In acting as validators, we are fully independent of the organization and have the necessary knowledge and skills to undertake this engagement. The validation, conducted during the period October 21 – 25, 2013, consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, interviews were conducted with the regional administrator, the chief information officer, the audit committee chair, and the external auditor partner.

We concur fully with the IA activity's conclusions in the self-assessment report attached. Note that recommendations in the report, which are considered successful professional practices, were recommended by the validators and accepted by the CAE for inclusion in the final report.

Implementation of all the recommendations contained in the self-assessment report will improve the effectiveness and enhance the value of the IA activity and ensure its full conformity to the *Standards*.

  
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Dawn Benham and Leslie Nagel  
Independent Validators

12/12/13  
Date