

# MEMORANDUM



DATE: February 4, 2025  
TO: Audit Committee Members  
CC: Executive Management Team  
FROM: Matthew LaTour, Chief Audit Executive  
SUBJECT: Peer Review Responses

In accordance with the requirements of International Standards for the Professional Practice of Internal Auditing (Internal Audit Standards), I requested a full-scope External Quality Assessment (EQA) of Internal Audit. The American Public Transportation Association (APTA) convened a Peer Review Panel as the Assessment Team. The Assessment Team visited the Twin Cities from October 27 to November 1, 2024 and provided the internal audit function with both an analysis of conformance to standards existing at the time and a gap analysis looking at Global Internal Audit Standards that took effect on January 9, 2025. The Assessment Team concluded that the internal audit function generally conforms with IIA standards (the highest rating available), however, the assessment team found areas within the function that have potential for improvement. I appreciate the diligent and thorough work of the assessment team and agree with all of the recommendations and considerations put forward. The plan below is designed to address both reports and ensure that the Met Council's audit department is in conformity with Global Internal Auditing Standards and performs at a high level to help the Council identify and mitigate key risks facing the organization.

I expect these actions to be completed, or at least in progress in 2025. An update will be provided to senior management and the Audit Committee in the fourth quarter of 2025 in conjunction with the annual risk assessment and audit planning process.

**Action Item 1—CAE will lead a refresh of the Metropolitan Council's Audit Framework policy documents and seek approval through the Council and Audit Committee.**

The framework, policy, and authority for audit work at the Council is listed in several documents approved by the governing body of the Metropolitan Council. The relevant documents include the bylaws of the Metropolitan Council, the Internal Audit Policy, the Audit Committee Charter, and the Audit Department Charter. In the first half of 2025, CAE will provide a refreshed and updated Audit Policy and Audit Committee Charter to senior management, and then to the Audit Committee and the full Metropolitan Council for approval. The CAE will also provide an updated Audit Department Charter to the Audit Committee for approval. These policy documents will be designed to adhere to the new Global Internal Auditing Standards and address conformance gaps identified by the peer review panel including clarity on the roles and responsibilities of the CAE—including those involving non-audit functions; reaffirm internal auditors' access to information and document a process for the CAE to communicate gaps in compliance; documents the CAE's, the Audit Committee, and Metropolitan Council's role in reviewing potentially unacceptable risks; establish an agreed-upon matrix or similar documentation showing the information, including the essential conditions, that the CAE should communicate to

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the board and senior management and the expected frequency and provides a roadmap to show how the Audit Framework helps compliance with Global Internal Auditing Standards.

## **Action Item 2—CAE will lead to a refresh of the Internal Audit Manual**

The Internal Audit Department has an Audit Manual that has been incrementally updated over the past few years while additional internal procedure documents have been developed and implemented in the team. To ensure consistency and compliance with Global Internal Auditing Standards, the CAE will ensure a full refresh of the document takes place to accomplish the following:

- guidelines regarding documentation related to any circumstance of nonconformance, alternative actions taken, the impact of the actions, and the rationale
- methodology for internal auditors to communicate unethical behavior
- methodology to conduct annual risk assessments that incorporates guidance and tools to better formalize and structure our approach to considering external risks facing the Council
- alignment with existing and emerging technology tools such as audit software, ethics reporting, ERP, asset management systems, and others
- methodology to report unacceptable risk to senior management and the board
- guidance and tools to ensure that monitoring and follow up processes are better defined and followed
- updated audit process checklist that will conform and map to Global Internal Auditing Standards and align with existing and new technologies
- documented processes and tools to show supervisory review of audit documentation
- templates and work instructions to better define our internal processes, including the Risk and Control Matrix
- guidance for inclusion of organizational strategic objectives in audit objectives and reporting
- documented processes and methods to ensure support to report auditor's opinions in reports
- improved, updated and regular reporting and monitoring methods to senior management on audit Key Performance Indicators (KPIs)
- procedures to track and align internal audit work with other assurance providers at the Council
- procedures to standardize audit report formatting to include areas to ensure conformance to 2025 Standards
- standardized template that can easily redact any sensitive information or for specific audiences

Once the Audit Framework and Audit Manual are finalized, the CAE and Managers will lead an internal training with all internal audit staff.

**Action Item 3—Internal Audit will adopt and integrate enhanced technology solutions to improve effectiveness and efficiency and help ensure compliance with Global Internal Auditing Standards.**

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In 2024, the Council issued a request for proposals for enterprise risk, internal control and auditing software. CAE expects that a selection will be made from this RFP in the first quarter of 2025 and a solution will be implemented by the end of 2025. As stated above, the CAE will ensure that this solution incorporates new Global Internal Auditing Standards and improvements made to the Audit Framework and Audit Manual.

## **Action Item 4—The CAE will develop and update and refresh to the Internal Audit Strategic Plan (2022-2025) and propose approval to the Audit Committee**

The Strategic Plan for the internal audit department was last approved in 2022 and is due for a refresh by the end of 2025. The CAE will work with staff, senior management at the Council, and refer to the results of the EQA to develop a refreshed strategic plan, mission, vision, and values that aligns with Imagine 2050, the Regional Administration Strategic Plan, and divisional strategic plans. Specifically, the CAE will consider inclusion of goals around development of an Internal Audit Staff Development and Resourcing Capacity Strategy. This strategy will consider how Internal Audit can manage staff and additional resources to address key risks, including cybersecurity, and ensure strategic alignment of resources for third-party assistance, training, and tools to the Council's key risk areas. The strategy will be designed to include updated KPIs for the internal audit function.

## **Action Item 5—Refresh the Audit Staff Competency Performance Standards and Training Model**

The Auditor performance standards are updated annually, however, are due for a refresh and update to ensure conformance with Global Internal Audit Standards. Among other things, these performance standards will consider incorporation of professional courage as criteria. In addition, the CAE will develop an auditor on-boarding and training guide to formalize and align training and staff development resources with departmental needs aligned to key risks facing the organization.

## **Action Item 6—Develop a Quality Assurance Improvement Plan (QAIP) to ensure compliance with Global Internal Audit Standards and the Audit Framework**

By the end of 2025, the CAE will develop a formal and specific plan to ensure compliance with Global Internal Audit Standards and monitor the quality of internal audit work. The plan will detail specific steps and processes for the CAE and managers and identify updated and regular reporting and monitoring methods with senior management, the Audit Committee, and the full Council. In addition, the QAIP will document expected CAE and Audit Committee presentations throughout the year, including periodic documented interactions with the Audit Committee about the role of the CAE and the CAE's activities related to training and professional development. The formal QAIP will also include the selection process/criteria of external quality assessor with the requirements of the Standards, including having at least one CIA.