

DRAFT



**MINUTES
AUDIT COMMITTEE
CITY HALL, CONFERENCE ROOM 3A
5850 W. GLENDALE AVE.
GLENDALE, ARIZONA 85301
DECEMBER 5, 2019
2:00 P.M.**

1. **CALL TO ORDER**

The Chair, Councilmember Hugh, called the meeting to order at 2:14 p.m.

2. **ROLL CALL**

The Chair, Councilmember Hugh announced all members were present

Present: Raymond Malnar, Councilmember
Ian Hugh, Councilmember
Lauren Tolmachoff, Councilmember
Irene Avalos, Member
Rusty Simmons, Member
Kevin Phelps, City Manager, Ex-officio Non-voting Member
Lisette Camacho, Interim Budget and Finance Director, Ex-officio Non-voting Member

Also Present: Emmanuel Ogutu, Internal Audit Program Manager
Jean Moreno, Director, Department of Organizational Performance
James Gruber, Deputy City Attorney

3. **CITIZEN COMMENTS**

No comments from the public.

4. **APPROVAL OF THE MINUTES**

Councilmember Malnar motioned to approve the Audit Committee minutes of the November 7, 2019 meeting as written. Councilmember Tolmachoff made the second.

Ms. Avalos inquired about the timeframe for the follow up of items in the minutes, such a question on a contract and an update on the plan to deploy data analytics in the audit process. Mr. Ogutu will provide an update at the next meeting.

Councilmember Hugh called for the vote. Motion carried unanimously.

5. **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

Mr. Emmanuel Ogutu gave a detailed presentation, which included the following:

- Cited City Code Section 2.58 (e): "Evaluate audits for performance and compliance with accepted professional standards and provide recommendations to the Mayor and City Council"
- A plan and procedures will be developed to implement the Quality Assurance and Improvement Program

- What Is Quality Assurance and Quality Control?
 - Quality Assurance
 - A set of activities put together to ensure quality in the entire audit process
 - The goal is to improve the audit process by ensure it complies with the standard
 - Looks at the whole audit process
 - Quality Control
 - Looks at specific audit engagements
- What are the Requirements – Standards and City Code
 - City Code requirement
 - Required by the Institute Internal Auditors (IIA) Professional Standards (The Red Book) and U.S. Government Accountability Office (GAO) Generally Accepted Government Auditing Standards (GAGAS) (The Yellow Book).
 - Must adhere to Code of Ethics and create value for stakeholders
 - Must have internal and external assessments
 - Detailed examples provided
 - Information on how to meet requirements provided
 - Peer review, either once every three years, or once every five years
 - Results for both internal assessments will be provided to the Audit Committee quarterly
 - External assessments results will be reported to the Audit Committee after the completion of the external assessment/peer review
- Recommendations
 - External assessment may require a longer timeframe to begin, up to 24-months
 - Internal assessment will begin immediately and will be ongoing
 - Propose to use IIA Standards (Red Book) for internal assessment
 - Propose To use GAGAS standards for external assessments/peer review
- Next Steps
 - Mr. Ogutu found that the City's Internal Audit procedures were not upto date to reflect changes made to the internal audit program, and he has begun to update the procedures. Part of the update will include the Quality Assurance and Improvement procedures.
 - Evaluate technology options to provide value and achieve efficiency, such as audit management and analytics software. More specific recommendations will be brought to a future meeting.
 - Educate the organization on the Independent Audit Standards so all are aware on how to support the Internal Audit Program to ensure quality of the audit process. The aim is to ensure continuous improvement.
 - Implement the internal assessment process. Report the outcome of the internal assessment to the Audit Committee on a quarterly basis.

Mr. Ogutu Concluded his presentation.

Councilmember Tolmachoff asked if a body of work was needed before external assessments/peer reviews could be done. Mr. Ogutu replied in the positive and stated that GAGAS Standards indicate that a peer review should be conducted no later than three years. Mr. Ogutu indicated it could be said that the review would not be conducted later than July 2022 and could be conducted earlier than that once there was a body of work.

Ms. Avalos asked if there was benefit to conducting the review earlier than three years, if there was an opportunity to review the work that has been done. Mr. Ogutu replied in the positive and noted that he is trying to match it with the 18-month audit plan. Mr. Ogutu stated that the internal assessment can help leverage the external assessment if there is a gap.

Ms. Avalos asked if the internal assessment was immediate. Mr. Ogutu replied in the positive and relayed that it is usually an ongoing process. Ms. Camacho added that any issues highlighted during internal assessment could be corrected and addressed during the internal assessments, as it is a fluid process, if there is any identified gap.

Mr. Phelps stated that had the body of work to-date been up to standards, a peer review could be done sooner, however an inventory of audits that does meet the standards needs to be built in order

to do peer reviews. Mr. Phelps commented that this had been a deficiency but with the new measures implemented with the amended City code on Internal Audit Program progress is being made to ensure standards are met.

Councilmember Malnar inquired about the recommendation regarding education and asked if this involved educating each of the departments. Mr. Ogutu relayed that the goal is to inform the departments of the new paradigm regarding the Audit Program, that the Program is changing from the way things have been done in order to conform to the standards, and in auditing their work, surveys of the departments will be done as part of the quality assurance improvement process.

Mr. Simmons asked if the legal department would be involved in the assessment review process if a regulatory requirement was being audited. Mr. Ogutu replied in the positive.

6. **COMMITTEE COMMENTS AND SUGGESTIONS**

Councilmember Malnar complimented Mr. Ogutu on the information and presentation.

7. **NEXT MEETING**

Mr. Ogutu announced the next meeting on January 9, 2020, as agreed by the Committee at the previous meeting.

Councilmember Tolmachoff asked if the meetings would change to quarterly after the next few monthly meetings. Mr. Ogutu replied the Committee could make the decision to go that direction as the City Code indicates the Committee shall meet at least quarterly if there is business to conduct.

8. **MOTION TO CALL FOR AND ENTER INTO EXECUTIVE SESSION**

**Councilmember Tolmachoff motioned to enter into Executive Session at 2:47 p.m.
Councilmember Malnar made the second. The motion carried unanimously.**

9. **EXECUTIVE SESSION**

Session was held.

10. **ADJOURNMENT**

The Chair, Councilmember Hugh confirmed there were no further comments and adjourned the meeting at 2:52 p.m.

The Audit Committee meeting minutes of _____, 2019 were submitted and approved this _____ day of _____, 2020.

Emmanuel Ogutu
Internal Audit Program Manager