

## Assurance Report

### 2023 Internal Quality Assessment

June 11, 2020

Cindy Rougeou, LASERS Executive Director  
The LASERS Audit Committee

#### EXECUTIVE SUMMARY

Based on the information reviewed during this internal quality assessment, it is the overall opinion that the LASERS Audit Services Division generally conforms with the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards) and the Code of Ethics. This opinion, which is the highest of the three possible ratings, means that the charter, policies, procedures, and processes in place are determined to be in conformance with the Standards and the Code of Ethics. See Appendix A for further details on conformance with the individual Standards and the Code of Ethics.

Overall, it has been determined that the Audit Services Division is independent and free of management decision making functions and operating responsibilities. The Audit Services Division staff members appear objective and able to render impartial and unbiased judgments on the audit work performed. The audit director and staff members are qualified, proficient, and knowledgeable in the areas they audit. The Audit Services Division completes an annual risk assessment process with input from various members of senior management and the audit committee, and develops an annual audit plan that is reviewed and approved by the audit committee. Overall, individual audits are adequately planned and documented, audit conclusions are supported in the working papers, and observations and recommendations are presented accurately, clearly, concisely, and timely.

There were no areas of non-conformance discovered during the engagement; however, there were observations identified which relate to possible areas of improvement. The following observations were noted and detailed below.

1. Annual disclosures to the audit committee should be enhanced.
2. Annual disclosure and affirmation performed by audit staff should be enhanced.

#### BOARD OF TRUSTEES:

Thomas Bickham, Board Chair  
Beverly Hodges, Vice Chair  
Virginia Burton  
Charles Castille

Commissioner Jay Dardenne  
Rep. Lance Harris  
Judge William Kleinpeter  
Janice Lansing

Barbara McManus  
Lori Pierce  
Sen. Edward Price  
Hon. John Schroder  
Shannon Templett

Cindy Rougeou, Executive Director

## BACKGROUND

This was a planned engagement on the fiscal year end 2020 Audit Plan. The fieldwork for this engagement was completed on June 1, 2020.

The Audit Services Division conducts independent, objective assurance and consulting activities designed to add value and improve operations of the organization and to report observations and recommendations to the LASERS executive director and the audit committee.

According to the IIA Standards, the audit director must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitor its effectiveness. Part of the quality assurance program includes an internal assessment of the internal audit activity that must include an ongoing review of the performance of the internal audit activity and periodic reviews performed through self-assessment.

## SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this engagement included all internal audit activities, which also cover those set forth in the Audit Services Division Charter. The current version of the Standards and the Code of Ethics were the basis used for this internal quality assessment.

The primary objectives of this engagement were to:

- Assess the Audit Services Division's conformance with the Standards and the Code of Ethics.
- Evaluate the Audit Services Division's effectiveness in carrying out its mission and identify opportunities for improvement.

Procedures used to complete this engagement included:

- Examining the practices of the Audit Services Division compared to the Standards and the Code of Ethics.
- Reviewing working papers for three completed projects.
- Conducting other procedures considered necessary to achieve engagement objectives.

This engagement was conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and the policies and procedures of the Audit Services Division.

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. ANNUAL DISCLOSURES TO THE AUDIT COMMITTEE SHOULD BE ENHANCED

#### OBSERVATION

The Audit Services Division performs an annual review to determine if items outlined in the Audit Committee Charter, Audit Services Division Charter, and Audit Resolution Policy and Procedures are

complied with and adhered to. The final report for this review also includes the following disclosures from the audit director to the audit committee:

- The Audit Services Division reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities.
- The internal audit activity continues to maintain its organizational independence.
- The internal audit activity has a quality assurance program in place to ensure conformance to the Institute of Internal Auditors' International Professional Practices Framework. There are no known exceptions to conformance with this framework.

During this engagement, opportunities were identified to enhance these disclosures. The chart below contains the details associated with the enhancements to the annual disclosures (verbiage additions are underlined and deletions struck through):

Observation	Current Disclosure	Proposed New Disclosure
<p>According to Standard 1320 - Reporting on the Quality Assurance and Improvement Program, the chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. In order to demonstrate conformance with the Code of Ethics and the Standards, the results of external and periodic internal assessments should be communicated upon completion of such assessments, and the results of ongoing monitoring are communicated at least annually.</p> <p>The results of external and periodic internal assessments are communicated upon completion of those assessments. Furthermore, the results of the ongoing monitoring are communicated via an annual disclosure; however, the current disclosure does not emphasize the ongoing aspect of monitoring and should be updated.</p>	<p>The audit director maintains a quality assurance program that covers all aspects of the division and monitors its effectiveness.</p>	<p><del>The audit director</del> <u>Internal Audit has implemented and</u> maintains a quality assurance program that covers all aspects of the division and <u>is monitored on an ongoing basis. The results of the ongoing monitoring confirm this program remains effective.</u></p>
<p>According to Standard 1322 - Disclosure of Nonconformance, when nonconformance with the Code of Ethics or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board. The current disclosure does not include a reference to</p>	<p>Internal Audit continues to maintain conformance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. There are no known areas of non-conformance.</p>	<p>Internal Audit continues to maintain conformance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing <u>and Code of Ethics</u>. There are no known areas of non-conformance.</p>

the IIA Code of Ethics and should be updated.		
According to Standard 1110.A1 - Organizational Independence, the internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications. A disclosure related to interference is not currently occurring.	Not currently occurring.	Internal Audit has not experienced any interference in determining the scope of internal auditing, performing work, and/or communicating results.

It should be noted that if the accuracy and reliability of any of these annual disclosures change, then this would be reported to the appropriate parties as soon as reasonably possible.

### **RECOMMENDATION**

Audit Services should implement these disclosure updates as part of the audit director's annual disclosures to the audit committee.

### **DIVISION RESPONSE**

The audit director agrees with this recommendation. The disclosure updates will be made and presented at the December 2020 audit committee meeting. The priority for this recommendation has been set as medium with a target completion date of December 31, 2020.

## **2. ANNUAL DISCLOSURE AND AFFIRMATION PERFORMED BY AUDIT STAFF SHOULD BE ENHANCED**

### **OBSERVATION**

Currently, all audit staff is required to complete and sign the Conflict Of Interest, Policy Review, & Confidentiality Statement shortly after being hired and annually thereafter. The following outlines some examples of what is confirmed through the completion of this document:

- Existence of any conflicts of interest.
- Review and understanding of the Audit Services Division Procedure Manual and its purpose.
- Awareness and affirmation of confidentiality expectations.

During this engagement, an opportunity was identified to enhance this document by including a section requiring the review and affirmation of the mandatory guidance from the International Professional Practices Framework (IPPF).

The IPPF is the conceptual framework that organizes authoritative guidance promulgated by the Institute of Internal Auditors. The IIA provides internal audit professionals worldwide with authoritative guidance organized in the IPPF as mandatory guidance and recommended guidance. Conformance with the principles set forth in mandatory guidance is required and essential for the professional practice of internal auditing. The mandatory elements of the IPPF are:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing

- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing (Standards)

The addition of this item will help the audit staff to increase their knowledge and understanding of the IPPF which will aid in their development as an internal auditor.

### **RECOMMENDATION**

Audit Services should implement the update to the Conflict Of Interest, Policy Review, & Confidentiality Statement to include the review and affirmation of the mandatory guidance from the IPPF.

### **DIVISION RESPONSE**

The audit director agrees with this recommendation. The update will be made prior to the annual completion of this document by audit staff which occurs every January. The priority for this recommendation has been set as medium with a target completion date of January 31, 2021.

### **FOLLOW-UP**

A follow-up to this engagement will not be scheduled at this time. Audit Services will maintain this information on a tracking report. These items will be tracked until they are closed.



Laura Sena, CPA  
Auditor



Ryan Babin, CPA, CIA, CISA  
Audit Services Director

Cc: Maris LeBlanc  
Trey Boudreaux

## Appendix A

### Evaluation Summary and Rating Definitions

	GC	PC	DNC
<b>Overall Evaluation</b>	X		

<b>Attribute Standards (1000 through 1300)</b>		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	X		
1100	Independence and Objectivity	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1112	Chief Audit Executive Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairment to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program	X		
1310	Requirements of the Quality Assurance and Improvement Program	X		

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	X		

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	X		
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination and Reliance	X		
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	X		
2100	Nature of Work	X		
2110	Governance	X		
2120	Risk Management	X		

2130	Control	X		
2200	Engagement Planning	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results	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		
2450	Overall Opinions	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		

Code of Ethics		GC	PC	DNC
	Code of Ethics	X		

**GC – “Generally Conforms”** means that the assessor or the assessment team 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 elements 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 standard or element 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 and has not applied them effectively or has not achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

**PC – “Partially Conforms”** means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics, or a 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 the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

**DNC – “Does Not Conform”** means that the assessor or assessment team has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics, or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit 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.