



**Louisiana State Employees'
Retirement System**

External Quality Assessment

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Performed by:

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PURPOSE AND OBJECTIVES

As requested by the Internal Audit Director (Director), we conducted a quality assessment of the Louisiana State Employees' Retirement System (LASERS) Audit Services Division (ASD). The objectives of the quality assessment (QA) were to:

- Assess the ASD's conformity to International Standards for the Professional Practice of Internal Auditing (Standards) and Code of Ethics issued by the Institute of Internal Auditors (IIA),
- Evaluate the ASD's effectiveness in carrying out its mission (as set forth in its charter and expressed in the expectations of the LASERS' management),
- Identify opportunities to enhance the ASD's management, work processes, and value to LASERS,
- Identify noteworthy accomplishments.

SCOPE AND METHODOLOGY

To assist us in accomplishing our objectives, the Director compiled and prepared extensive information in advance of the QA such as audit charter, written procedures, board meeting minutes, staff credentials, ASD's self-assessment report, a sample of engagement workpapers and reports, and selected guides from the QA manual with detailed explanations related to internal audit governance, staff, management, and process. To complete the QA, we analyzed the information provided, conducted interviews with ASD staff, the Audit Committee Chair, and the Executive Director, and reviewed a sample of engagements from the previous five-year period.

RESULTS

It is our opinion that the LASERS ASD “generally conforms” to the IIA’s International Standards for the Professional Practice of Internal Auditing. “Generally conforms” is the highest of three possible ratings and means that practices are in place to ensure the independence, objectivity and proficiency of the ASD. The Appendix has a detailed list of conformance to the Standards.

We found that the ASD has implemented a number of successful practices including the following:

- An internal audit charter that defines the purpose, authority, and responsibility of Internal Audit,
- Procedures that require compliance with Internal Auditing Standards and the Code of Ethics,
- An effective quality assurance program, which includes:
 - Continuing professional education requirements,
 - Regular communication with staff,
 - Documented work-paper review,
 - Periodic self-assessment, and
 - External assessment by qualified reviewers
- Annual and engagement level risk assessments for audit planning,
- Use of continuous auditing techniques, and
- Follow up procedures that ensure issue resolution.

The LASERS ASD staff is exceptionally qualified. Staff credentials include two Masters of Business Administration degrees and nine professional certifications including:

- Three Certified Public Accountants,
- Three Certified Information Systems Auditors, and
- Three Certified Internal Auditors.

Appendix A – Assessment Detail & Rating Definitions

Rating Definitions

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.

		GC	PC	DNC
OVERALL ASSESSMENT		✓		
Attribute Standards (1000 through 1300)		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	✓		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	✓		
1100	Independence and Objectivity	✓		
1110	Organizational Independence	✓		
1111	Direct Interaction with the Board	✓		
1112	Chief Audit Executive Roles Beyond Internal Auditing	✓		
1120	Individual Objectivity	✓		
1130	Impairment to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Program	✓		
1310	Requirements of the Quality Assurance and Improvement Program	✓		
1311	Internal Assessments	✓		

1312	External Assessments	✓		
1320	Reporting on the Quality Assurance and Improvement Program	✓		
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	✓		
1322	Disclosure of Nonconformance	✓		
Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination and Reliance	✓		
2060	Reporting to Senior Management and the Board	✓		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	✓		
2100	Nature of Work	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2200	Engagement Planning	✓		
2201	Planning Considerations	✓		
2210	Engagement Objectives	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Work Program	✓		
2300	Performing the Engagement	✓		
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		
2400	Communicating Results	✓		
2410	Criteria for Communicating	✓		
2420	Quality of Communications	✓		
2421	Errors and Omissions	✓		
2430	Use of “Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	✓		
2431	Engagement Disclosure of Nonconformance	✓		
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Communicating the Acceptance of Risks	✓		
	Code of Ethics	✓		