



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

THOMAS M. SUEHS
EXECUTIVE COMMISSIONER

INTERNAL AUDIT CHARTER

PURPOSE AND SCOPE OF WORK

The Health and Human Services Commission (HHSC) Internal Audit Division (Internal Audit) provides independent, objective assurance and consulting services designed to add value and improve operations. Internal Audit's responsibilities include coverage of both HHSC and the Health and Human Services (HHS) Enterprise. Audit coverage consists of assessments of programs, processes, and systems under the operational responsibility of HHSC and those programs, processes, and systems (a) under the oversight of HHSC deputy executive commissioners or (b) that involve two or more HHS agencies. HHSC Internal Audit may audit programs, processes, and systems at any HHS agency at the request of executive management.

Internal Audit develops its annual Internal Audit Plan by selecting audit projects (assurance services) and management advisory projects (consulting services) in an effort to address the highest risks identified during the annual business risk assessment. The annual Internal Audit Plan may be revised during the year to address changes in the risk environment and to respond to requests by executive management.

Internal Audit provides information to management for decision-making and evaluates whether organizational risk management, control, and governance processes, as designed and represented by management, are adequate and functioning in a manner to help ensure that:

- Goals, objectives, and strategies are achieved.
- Risks are appropriately identified and managed.
- Financial, managerial, and operational information is accurate, reliable, adequately protected, and available when needed.
- Information and decision-making are effectively communicated and coordinated within HHSC and the HHS Enterprise.
- Resources are acquired economically, used efficiently, and protected adequately.
- Legislative or regulatory issues are recognized and addressed appropriately.

- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Quality and continuous improvement, accountability, and transparency are fostered in management's control processes.

Opportunities for improving management controls may be identified during both audit and management advisory projects. These opportunities, when identified, will be communicated to the appropriate level of management.

DEFINITION OF INTERNAL AUDITING

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.¹

STANDARDS OF AUDIT PRACTICE

The Internal Audit Director and members of Internal Audit will comply with the following legal requirements and professional standards:

- *Texas Government Code, Chapter 2102 (Texas Internal Auditing Act)*
- *International Standards for the Professional Practice of Internal Auditing and the Code of Ethics* issued by The Institute of Internal Auditors
- *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States
- *IT Audit and Assurance Standards contained in the IT Standards, Guidelines, and Tools and Techniques for Audit and Assurance and Control Professionals* issued by ISACA (when an assessment of information technology controls is the primary focus of the audit)

The Internal Audit Director will develop and maintain a quality assurance program to evaluate the operations of the internal auditing function. The quality assurance program will include

¹ Standard 1010, Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter, *International Standards for the Professional Practice of Internal Auditing*, issued by The Institute of Internal Auditors.

ongoing supervision of staff and review of their work to ensure conformance with auditing standards and Internal Audit policies and procedures. It will also ensure that an external peer review is periodically performed as required by applicable auditing standards.

INDEPENDENCE, OBJECTIVITY, AND AUTHORITY

Internal auditors are required to perform audit work independently and objectively. To help ensure this, Internal Audit has no direct responsibility for any management function at HHSC. Internal Audit personnel report to the Internal Audit Director, who is appointed by and reports both functionally and administratively to the Executive Commissioner. Audit personnel will complete an independence statement, which either asserts independence or discloses any independence impairments. Auditors will not be assigned to a project where an impairment of independence exists.

Internal auditors shall not be assigned duties or engage in activities that would be considered to be operational responsibilities. Performing operational responsibilities might compromise the auditors' objectivity. Objectivity is essential to internal audit staff in the proper fulfillment of their duties.

Internal auditors shall be provided full and unrestricted access to all HHSC and HHS Enterprise activities, personnel, property, records, information, and systems unless otherwise restricted or limited by law. Internal auditors shall also have access to the same contractor and subcontractor activities and resources (personnel, property, records, information, and systems) to which HHS Enterprise agencies are entitled under agreements with contractors.

Internal auditors shall ensure the safekeeping and confidentiality of all records and information in their possession.

KEY ROLES AND RESPONSIBILITIES

Certain roles and responsibilities of the Internal Audit Director, the Executive Commissioner, and HHSC and other HHS agency management are critical to the success of the Internal Audit function.

Key responsibilities of the Internal Audit Director include:

- Developing an effective internal auditing program, including an annual Internal Audit Plan based on a business risk assessment.
- Implementing the approved annual Internal Audit Plan, including approved revisions resulting from changes in the risk environment or requests by executive management.
- Ensuring proper supervision of staff during Internal Audit projects.
- Communicating the results of Internal Audit projects, including significant issues and recommendations, to appropriate HHS Enterprise and HHSC management.
- Reporting results of internal audits to the Executive Commissioner.
- Submitting the annual report and the results of internal audits to required state government officials.
- Providing periodic reports to the Executive Commissioner regarding the status of the annual audit plan and Internal Audit activities.
- Briefing the Internal Audit Oversight Committee each quarter in accordance with the Internal Audit Oversight Committee Charter.
- Recommending Internal Audit budget and staffing levels annually to the Executive Commissioner.
- Coordinating Internal Audit activities with the HHSC Office of Inspector General and internal audit divisions from each HHS agency.
- Serving as liaison for external audits or reviews conducted by state, federal, or external audit entities, including coordinating with HHS Enterprise and HHSC personnel in the development of management responses.
- Tracking and reporting the status of management's implementation of action plans developed in response to significant issues and recommendations identified through internal and external audits.

Key responsibilities of the Executive Commissioner in support of Internal Audit activities include:

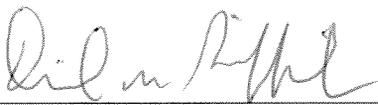
- Ensuring the independence of the Internal Audit function through the establishment of an organizational structure with direct lines of reporting between the Internal Audit Director and the Executive Commissioner.
- Approving the Internal Audit Charter.
- Approving the annual business risk assessment methodology.
- Reviewing the business risk assessment that serves as the basis for the annual Internal Audit Plan.
- Approving the annual Internal Audit Plan.
- Serving as chair of the Internal Audit Oversight Committee.
- Communicating with the Internal Audit Director, as needed, regarding agency operations and Internal Audit activities.
- Assessing the budget and staffing levels of the Internal Audit function to ensure that significant risks identified in the annual business risk assessment receive adequate audit coverage within a reasonable timeframe.
- Reviewing status reports and updates regarding Internal Audit and audit resolution activities.
- Reviewing Internal Audit reports on audits and management advisory projects.

Key responsibilities of HHSC and other HHS agency management related to HHSC Internal Audit activities include:

- Cooperating with audit teams during the performance of internal audits and management advisory projects by providing full and unrestricted access to all activities, personnel, property, records, information, and systems requested by auditors, including contractor and subcontractor resources.
- Reviewing Internal Audit reports and providing timely, written management responses to address issues and recommendations, including actions planned, responsible managers, and target implementation dates.

- Providing status updates to internal auditors regarding management action plans that address outstanding internal and external audit recommendations.
- Coordinating with Internal Audit staff to respond to issues and recommendations contained in external audit reports.
- Notifying the Internal Audit Director of any contacts within HHSC from external audit organizations' auditors, evaluators, and inspectors, including those from federal Office of Inspectors General, the Government Accountability Office, and state agencies.

Authorizing Signatures and Dates:



David M. Griffith, CPA, CIA, CGFM
Internal Audit Director

4/30/2010
Date



Thomas M. Suehs
Executive Commissioner

5/4/10
Date