

Summary of Request:

The Texas Internal Audit Act requires a state agency that receives more than \$10 million or more in revenue and has more than 100 employees must comply with the Texas Government Code, Section 2102.005.

The attached Quality Assurance and Improvement Program report is presented to provide the Texas Board of Nursing reasonable assurance that the internal audit is aligned with the approved charter, is effective and efficient and is perceived to be of value by improving organizational operations.

Historical Perspective:

This is an annual report as required by internal audit standards.

Pros: The Board of Nursing will be in compliance with accepted internal audit standards and is assured of the effectiveness of the internal audit process.

Cons: None.

Staff Recommendation:

This report is for informational purposes and no action by the board is required.



TEXAS BOARD OF NURSING

INTERNAL AUDIT ACTIVITY REPORT **on** **Quality Assurance and Improvement Program**

Fiscal Year 2013

Presented to
BON Executive Committee
January 2014

Prepared by:
Rupert & Associates PC
Certified Public Accountants

INTERNAL AUDIT ACTIVITY REPORT
QUALITY ASSURANCE AND IMPROVEMENT PROGRAM (QAIP)

Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of the Internal Audit activity that Internal Audit:

- (1) Performs its work in accordance with its Charter, which is consistent with The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (*Standards*), Definition of Internal Auditing and Code of Ethics;
- (2) Operates in an effective and efficient manner; and
- (3) Is perceived by stakeholders as adding value and improving Internal Audit's operations. To that end, Internal Audit's QAIP covers all aspects of the Internal Audit activity (IAA). In this regard, the factors considered for the QAIP include:
 - ✓ Monitors the Internal Audit activity to ensure it operates in an effective and efficient manner.
 - ✓ Assures compliance with the *Standards*, Definition of Internal Auditing and Code of Ethics.
 - ✓ Helps the Internal Audit activity add value and improve organizational operations.
 - ✓ Includes both periodic and ongoing internal assessments.
 - ✓ Includes an external assessment at least once every three years, the results of which are communicated to the Board through the Executive Committee.

The Chief Audit Executive (CAE) is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consulting.

INTERNAL ASSESSMENTS

- **Ongoing Reviews** – Ongoing assessments are conducted through:
 - Regular, documented review of work papers during engagements by Internal Audit staff
 - Audit Policies and Procedures used for each engagement to ensure compliance with applicable planning, fieldwork and reporting standards
 - Feedback from customer surveys on individual engagements
 - Analyses of performance metrics established to improve the IAA effectiveness and efficiency
 - All final reports and recommendations are reviewed and approved by an independent CPA / CIA
- **Periodic Reviews** – Periodic assessments are designed to assess conformance with Internal Audit's Charter, the *Standards*, Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments will be conducted through:
 - Annual risk assessments for purposes of annual audit planning
 - Work paper reviews for performance in accordance with internal audit policies and with the *Standards* using the State Agency Internal Audit Forum (SAIAF) Working Paper Review Tool
 - Review of internal audit performance metrics and benchmarking of best practices, prepared and analyzed in accordance with Audit Policies and Procedures
 - Periodic activity and performance reporting to the Agency Administrator and the Audit Committee

EXTERNAL ASSESSMENTS

- A. General Considerations** – External assessments appraise and express an opinion about internal audit’s conformance with the Standards, Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.
- B. Timing** – An external assessment will be conducted every three years.
- C. Scope of External Assessment** – The external assessment consists of a broad scope of coverage that includes the following elements of Internal Audit activity:
- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and internal audit’s Charter, plans policies, procedures, practices, and any applicable legislative and regulatory requirements.
 - Expectations of Internal Audit as expressed by the Board, executive management, and operational managers.
 - Integration of the Internal Audit activity into the agency’s governance process, including the audit relationship between and among the key groups involved in the process.
 - Tools and techniques used by Internal Audit.
 - The mix of knowledge, experiences, and disciplines within the staff, including staff focus on process improvement.
 - A determination whether Internal Audit adds value and improves the agency’s operations.
- D. Considerations** – The qualifications and considerations of external reviewers as noted in The IIA’s Practice Advisory 1312-1 will be considered when contracting with an outside party to conduct the review.

REPORTING ON QUALITY PROGRAM

- A. Internal Assessments** – Results of internal assessments will be reported to the Audit Committee and to the senior management at least annually.
- B. External Assessments** – Results of external assessments will be reported to the senior management and the Audit Committee as completed. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations contained in the report.
- C. Follow-up** – The CAE will implement appropriate follow-up actions to ensure that recommendations made in the report and action plans developed are implemented in a reasonable timeframe.

PERFORMANCE METRICS for FY 2013

INTERNAL ASSESSMENTS

Internal Audit Charter – reviewed and approved by the Executive Committee at the April 2013 meeting

Audit Plan for FY-13 –

Audit #2013-1 – Enforcement Audit – this project was started in FY-2012 and was carried over into FY-2013 with Board approval. The audit was completed in FY-2013 within budget.

Audit #2013-2 – Education Program Approvals Audit – this project was incomplete at year-end and carried forward to FY-2014. The project was completed in November 2013 and reported to the Board in January 2014.

Audit Recommendations –

#2013-1 – Enforcement Audit of processes and controls produced five audit recommendations which were accepted and are being implemented.

#2013-2 – Education Program Approval Audit of processes and controls generated one audit recommendation which management accepted and plans to implement.

Working Paper Review Tool – reviews completed; no significant deficiencies identified

Auditee Survey Responses – all response ratings were positive; with no additional comments from auditees

EXTERNAL ASSESSMENTS

A Quality Assurance Review (QAR) will be required after three years of internal audit activity. The QAR will provide an independent, external assessment of the internal audit function to provide an overall opinion of conformance with:

- the Institute of Internal Auditors (IIA) *International Professional Practices Framework (IPPF)* including the *Definition of Internal Auditing*, and the *Code of Ethics*
- the United States Government Accountability Office (GAO) *Government Auditing Standards*, and
- the Texas Internal Auditing Act (*Texas Government Code*, Chapter 2102).

The first external QAR for the BON will be due in fiscal year 2015.

REPORT DISTRIBUTION PAGE

Texas Board of Nursing

Kathy Shipp, MSN, RN, FNP, Board President
Deborah Bell, Board Liaison for Internal Audit

Katherine Thomas, MN, RN, FAAN, Executive Director
Mr. Mark Majek, Director of Operations