

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'S

Quality Assurance and Improvement Program

Fiscal Year 2015

Presented to
Texas Board of Nursing
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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.

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:
 - Audit Policies and Procedures used for each engagement to ensure compliance with applicable planning, fieldwork and reporting standards
 - Using checklists to provide assurance on compliance with established practices and procedures
 - 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
 - Feedback from internal audit clients and other stakeholders on individual engagements
- **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:
 - An assessment of the IAA's performance against QAIP established criteria
 - Regular review and approval of the internal audit charter and other relevant documents
 - Review of the annual audit plan in relation to the risks of the organization
 - Review of internal audit performance metrics and benchmarking of best practices, prepared and analyzed in accordance with Audit Policies and Procedures
 - Analyses of performance metrics established to improve the IAA effectiveness and efficiency
 - Periodic activity and performance reporting to the Agency Administrator and the Board

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 Board and to the senior management at least annually.
- B. External Assessments** – Results of external assessments will be reported to the senior management and the Board 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 2015

INTERNAL ASSESSMENTS

Internal Audit Charter – the Charter for FY-15 was approved by the Board at their October 2014 meeting. The Charter was revised to implement peer review recommendations and an updated Charter was reviewed and approved by the Board’s Texas Board of Nursing at the July 23, 2015 meeting and is effective for the FY-16 period.

The Audit Plan for FY-15 included one individual audit – the Contract Management Audit. The audit project was completed on time and within budget. Report #2015-1 was presented to the Board at their meeting in July of 2015. There were two recommendations resulting from this audit, both relating to establishing written procedures and guidance to ensure that contract management and administration activities align with the State’s Contract Management Guide.

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) is required after three years of internal audit activity was completed in March of 2015. The QAR provided an independent, external assessment of the internal audit function and culminated in an overall opinion of ‘generally conforms’ 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 BON contracted with an independent, external party to perform the QAR for the BON. The next QAR for the agency will be due in FY-18.

The following opportunities for improvement were noted during the QAR have been implemented:

1. Refine the IA Charter to include the mandatory requirement for including the Definition of Internal Auditing, reference Board roles and responsibilities in providing IA oversight, and reference the BON’s policies and procedures and the Internal Audit Procedures Manual as standards followed in the practice of internal audit. COMPLETED: The IA Charter for the BON was updated with the noted elements and the revised Charter was presented to and approved by the BON Board at their July 2015 meeting.
2. CPE Requirements need to add up to 80 hours in every two year period, including 24 hours in each period on government auditing topics. COMPLETED: CPE hours are scheduled to ensure that approximately 40-50 hours fall within each reporting period, including the 24 hours required on government auditing topics for participation in Single Audits.
3. Refine the QAIP program to consider alternatives for an internal quality assessment methodology for a one-person IA activity. COMPLETED: The QAIP program is currently under review including consideration for other QA methodologies.

REPORT DISTRIBUTION PAGE

Texas Board of Nursing

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