

INTERNAL AUDIT CHARTER TEXAS WORKFORCE COMMISSION

PURPOSE AND MISSION

The purpose of the Texas Workforce Commission (TWC) Office of Internal Audit (OIA) is to provide independent, objective assurance and consulting services designed to add value and improve the operations of TWC. The mission of the OIA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight to the Commission and agency management. The OIA assists TWC in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

ROLE

The internal audit activity is established by the Commissioners, as required under *Texas Government Code* Chapter 2102 (Texas Internal Auditing Act). The internal audit activity's responsibilities are defined by the Commission as part of their oversight role.

AUDITING STANDARDS

The OIA will govern itself by adherence to:

- The United States Government Accountability Office's (GAO) *Government Auditing Standards*, and
- The Institute of Internal Auditors' (IIA) Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing.

In addition, the OIA will adhere to TWC and OIA operating policies and procedures. The OIA Director will report periodically to the Commission regarding OIA's conformance to this mandatory guidance.

AUTHORITY

The Director of Internal Audit will report functionally and administratively to the Commission. To establish, maintain, and assure that the OIA has sufficient authority to fulfill its duties, the Commission will:

- Approve the Internal Audit Charter.
- Approve the annual risk-based Internal Audit Plan.
- Approve the Internal Audit budget and resource plan.

- Receive communications from the Director of Internal Audit on the OIA's performance relative to its plan and other matters.
- Make decisions regarding the appointment, compensation, evaluation, discipline, and dismissal of the Director of Internal Audit.
- Make appropriate inquiries of management and the Director of Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Director of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Commission.

The Commission authorizes the Office of Internal Audit to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of TWC, as well as other specialized services from within or outside TWC, in order to complete the engagement.

INDEPENDENCE AND OBJECTIVITY

The Director of Internal Audit will ensure that the OIA remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director determines that independence or objectivity may be impaired in fact or appearance, the details of impairments will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do no subordinate their judgment on audit matters to others.

Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for TWC or its affiliates.
- Initiating or approving transactions external to the OIA.
- Directing the activities of any TWC employee not employed by the OIA.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Director of Internal Audit will confirm to the Commission, at least annually, the organizational independence of OIA. Additionally, The Director will, if necessary, report any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of internal audit encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Commission, agency management, and outside parties as required by TWC, on the adequacy and effectiveness of governance, risk management, and control processes for TWC. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of TWC's strategic objectives are appropriately identified and managed.
- The actions of TWC's officers, directors, employees, and contractors are in compliance with TWC's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact TWC.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Director of Internal Audit will report periodically to the Commission regarding the OIA plan and performance relative to the plan.

The Director of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The OIA may perform limited consulting services such as facilitation, training, and sharing of best practices, provided it does not violate independence standards.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

RESPONSIBILITY

The Internal Audit Director has the responsibility to:

- Submit, at least annually, to the Commission a risk-based internal audit plan for review and approval.
- Periodically communicate to the Commission the OIA's performance relative to the approved plan.
- Communicate to the Commission any impacts of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary and subject to Commission approval, in response to changes in TWC's business, risks, operations, programs, systems, and controls.
- Communicate to the Commission any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including:
 - the establishment of objectives and scope,
 - the assignment of appropriate and adequately supervised resources,
 - the documentation of work programs and testing results, and
 - the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Communicate to senior management and the Commission the results of audit engagements and other activities.
- Communicate to the Commission any response to risk by management that may be below TWC standards and guidelines.
- Communicate to senior management and the Commission any significant risk exposures and control issues requiring attention by the Commission.
- Follow-up on engagement findings and corrective actions, and report periodically to senior management and the Commission any corrective actions not effectively implemented.
- Ensure principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure OIA collectively possesses or obtains the knowledge, skills, and other competencies, to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact TWC are considered and communicated to senior management and the Commission as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide OIA.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Office of Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of OIA

conformance with the Internal Auditing Act, GAO and IIA Auditing Standards, and the Code of Ethics. The program will also assess the efficiency and effectiveness of OIA and identifies opportunities for improvement.

The Director of Internal Audit will communicate to the Commission on the OIA quality assurance and improvement program, including ongoing and periodic internal assessments on an annual basis. An external assessment will be conducted by an independent party and reported every three years.

APPROVAL

In accordance with the previous stated principles, the Commission hereby approves this Internal Audit Charter.

ISSUED IN AUSTIN, TEXAS ON THE 19TH DAY OF MARCH 2019.

TEXAS WORKFORCE COMMISSION

Ruth R. Hughs, Chair, Representing Employers

Julian Alvarez, Commissioner Representing Labor

Robert D. Thomas, Commissioner Representing the Public