

INTERNAL AUDIT CHARTER

Mission and Scope of Work

The mission of the University of Texas M. D. Anderson Cancer Center (MDACC) Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve M. D. Anderson's operations. It helps the institution accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, operational, and governance processes. The scope of work of Internal Audit is to determine whether M. D. Anderson's network of risk management, control, and processes, as designed and represented by management, is adequate and functioning in a manner to help ensure:

- Risks are appropriately identified and managed
- Significant financial, managerial, and operating information is accurate, reliable, and timely
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations
- Resources are acquired economically, used efficiently, and adequately protected
- Programs, plans, and objectives are achieved
- Quality and continuous improvement are fostered in the institution's control process

Opportunities for improving management control may be identified within Internal Audit's scope of work. These opportunities will be communicated to the appropriate level of management.

Accountability

The Associate Vice President and Chief Audit Officer, in the discharge of his/her duties, shall be accountable to the M. D. Anderson Cancer Center President and the Institutional Audit Committee to:

- Provide assessments on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution
- Periodically provide information on the status and results of Internal Audit annual work plan and the sufficiency of department resources
- Coordinate M. D. Anderson's interaction with the State Auditor's Office and other external audit entities

Independence

To provide for the independence of the Internal Auditing activity, the Chief Audit Officer reports functionally to the President of M. D. Anderson Cancer Center and administratively to the Senior Vice President of Business Affairs. The reporting structure enables the Chief Audit Officer to be free of all operational and management responsibilities that would impair his/her ability to review independently all aspects of the institution (per the Texas Internal Auditing Act, Section 2102, Government Code). The Chief Audit Officer also has an indirect reporting relationship to the University of Texas System (UT System) Director of Audits who has responsibility for oversight of the Internal Auditing activity for the UT System and has the reporting responsibility for all components to the Board of Regents.

Responsibility

Internal Audit has responsibility to:

- Develop a flexible annual work plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the M. D. Anderson Cancer Center President, Institutional Audit Committee, and the Board of Regents for review and approval as well as periodic updates
- Implement the annual work plan, as approved, including as appropriate any special projects requested by executive management of the institution, UT System officials, or the Board of Regents
- Have and maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter and the Texas Internal Auditing Act
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion
- Issue periodic reports to the President and Institutional Audit Committee summarizing results of audit activities
- Keep the President and Institutional Audit Committee informed of emerging trends and successful practices in Internal Auditing
- Assist in the investigation of significant issues within the institution and notify appropriate members of executive management of the results
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the institution
- Conduct quality assurance reviews in accordance with professional Internal Auditing standards and periodically take part in an external peer review
- Provide consulting and advisory services as appropriate
- Guide the institution on control self-assessment by assisting managers with risk self-assessment and conducting self-audits
- Provide information to the UT System Director of Audits as required or requested to fulfill the System-wide audit oversight and reporting responsibilities
- File Internal Audit reports and related responses or action plans with the UT System Audit Office, budget division of the Governor's Office, State Auditor, and the Legislative Budget Board within two weeks after their presentation to the Institutional Audit Committee
- Prepare the annual report required by the Texas Internal Auditing Act (Section 2102, Government Code) and submit the report to the M. D. Anderson Cancer Center President, UT System Audit Office, budget division of the Governor's Office, State Auditor, and the Legislative Budget Board

Authority

Internal Audit staff are authorized to:

- Have full, free and unrestricted access to all functions, activities, records, property, information systems, and personnel (the examination of patient medical records is included when it serves a specific audit need)
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives
- Obtain the necessary assistance of personnel in units where they perform audits, as well as other specialized services from within or outside the institution

Internal Audit staff are not authorized to:

- Perform any operational duties
- Initiate or approve accounting transactions external to Internal Audit
- Direct the activities of any M. D. Anderson Cancer Center employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the auditors

Standards of Audit Practice

The activities of Internal Audit will meet or exceed the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors. Internal Audit will also abide by generally accepted government auditing standards, the Texas Internal Auditing Act, and University of Texas System policies.

*Approved by the M. D. Anderson Cancer Center Institutional Audit Committee
On October 3, 2006*