

TEXAS ANIMAL HEALTH COMMISSION

FISCAL YEAR 2017 INTERNAL AUDIT ANNUAL REPORT

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Texas Animal Health Commission
Austin, Texas
Internal Audit Annual Report
Fiscal Year 2017

I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site.

Within 30 days of approval, the Texas Animal Health Commission should post the following information on its Internet Web site:

- An approved fiscal year 2018 audit plan, as provided by Texas Government Code, Section 2102.008.
- Individual audits (including follow-up internal audits) showing findings and recommendation made by the internal auditor, and management's responses and/or action plans or updates, unless they are excepted from disclosure under Chapter 552 of the Texas Government Code.
- A fiscal year 2017 internal audit annual report, as required by Texas Government Code, Section 2102.009.

II. Internal Audit Plan for Fiscal Year 2017

The Commission approved the following audits for fiscal year 2017:

- Internal Audit of Region 2 Office-Hempstead, TX (**Report #017-001: Dated: April 26, 2017**).
- Internal Audit of the Region 3 Office-Fort Worth, TX (**Report #017-002: Dated: May 18, 2017**).
- Follow-up on Prior Internal Audit Recommendations - FY 2015 (**Report #017-003 Dated August 24, 2017**).

III. Consulting Services and Non-audit Services Completed

The Internal Auditor did not perform any services which would be considered consulting engagements, as defined in the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*, and no non-audit services, as defined in *Government Auditing Standards, 2011 Revision*, Sections 3.33 – 3.58, during fiscal year 2017.

IV. External Quality Assurance Review (Peer Review)

A copy of the most recent External Quality Assurance Review Report is included on the following pages:

**REPORT ON THE
EXTERNAL QUALITY ASSURANCE REVIEW
OF THE
TEXAS ANIMAL HEALTH COMMISSION
INTERNAL AUDIT FUNCTION**

October 2016

PERFORMED BY

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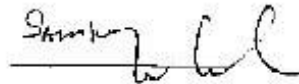
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**TEXAS ANIMAL HEALTH COMMISSION
INTERNAL AUDIT FUNCTION
EXTERNAL QUALITY ASSURANCE REVIEW - October 2016**

OVERALL CONCLUSION

Based on the information received and evaluated during this external quality assurance review, we conclude that the Texas Animal Health Commission's Internal Audit function "fully complies" with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing Standards*, the Code of Ethics contained in the Professional Practices Framework, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit Act (*Texas Government Code*, Chapter 2102).



Samson Afolabi, CPA, CGMA
External Quality Assurance Reviewer

October 31, 2016
Date

**TEXAS ANIMAL HEALTH COMMISSION
INTERNAL AUDIT FUNCTION
EXTERNAL QUALITY ASSURANCE REVIEW
October 2016**

BACKGROUND

The Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing*, U.S. Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit Act require that internal audit functions obtain external quality assurance reviews to assess compliance with standards and the Act and to appraise the quality of their operations. Government auditing standards require these reviews at least every three years. A periodic external quality assurance review, or peer review, of the internal audit function is an essential part of a comprehensive quality assurance program.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of the quality assurance review was to evaluate the Texas Animal Health Commission's compliance with professional standards and the Texas Internal Audit Act. The scope of the review included all internal audit completed during the year ending August 31, 2016

The work performed during the review included:

- Review of the Texas Internal Auditing Act (Government Code, Chapter 2102).
- Review of the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.
- Review of the U.S. Government Accountability Office (GAO) Government Auditing Standards, and the Code of Ethics contained in the Professional Practices Framework.
- Review and evaluation of audit working papers.
- Review of Internal Audit's policies and procedures, annual risk assessment, annual audit plan, and other relevant documents.

V. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2018

	<u>Budgeted Hours</u>
• Personnel Processes	140
• Region 8 Office (Laredo, TX)	180
• Information Systems - Security	140
• Follow-up on Prior Internal Audit Recommendations (FY 2016)	140
Total Hours	600

Our risk assessment was performed through the consideration of various factors, including:

1. Exposure Level
2. Complexity of Unit
3. Materiality of Revenues and Expenditures
4. Results of Last Audit
5. Extent of other Coverage or Oversight
6. Quality of Internal Controls/Adherence to laws
7. Changes in systems and processes
8. Normal Audit Interval

Although all of the above factors were considered in the assessment of risk for each process/system, some of the factors were weighed more heavily and considered to be more critical to the Agency's internal control structure. The following critical factors were weighted more heavily in our assessment.

- Exposure Level
- Quality of Controls
- Changes in Systems and Processes

VI. External Audit Services Procured in Fiscal Year 2017

There were no External Audit Services for the fiscal year 2017 other than Internal Audit Services.

VII. Reporting Suspected Fraud and Abuse

In accordance with the requirements of Section 7.09, and the General Appropriations Act (84th Legislature, Conference Committee Report) Article IX, and Texas Government Code, Section

321.022, the Texas Animal Health Commission has posted information on how to report suspected fraud, waste or abuse of state funds on their website.

VIII. Report Distribution

As required by Government Code Section 2102.0091 copies of this report should be filed with the following:

Governor's Office of Budget and Planning and Policy

Attn: Drew DeBerry
Phone: (512) 463-1778
budgetandpolicyreports@gov.texas.gov

Legislative Budget Board

Attn: Julie Ivie
Phone: (512) 463-1200
audit@lbb.state.tx.us

State Auditor's Office

Attn: Internal Audit Coordinator
Phone: (512) 936-9500
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Sunset Advisory Commission

Attn: Ken Levine
Phone: (512) 463-1300
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