

COOK COUNTY  
HEALTH



# Audit and Compliance Committee

## Internal Audit

April 19, 2024



COOK COUNTY  
HEALTH

Internal Audit



Open Meeting

Internal Audit Charter



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# Internal Audit Charter

- ❑ Best practice suggests Boards review and approve their Internal Audit (IA) function's charter annually
- ❑ The following slides summarize guidance from the Institute of Internal Auditors (IIA) relating to governance and implementation of the IA charter
- ❑ The CCH IA charter is included in the materials provided to the Audit and Compliance Committee (ACC) members
- ❑ There are no updates to the charter reviewed and approved in 2023
- ❑ We are asking the ACC members to review and approve IA's charter

# Internal Audit Charter

(The following 3 slides are excerpts from the Institute of Internal Auditors (IIA) Practice Standards)

## INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING (STANDARDS)

### Attribute Standards

#### 1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. **The chief audit executive (CAE) must periodically review the internal audit charter and present it to senior management and the board for approval.**

#### Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. **Final approval of the internal audit charter resides with the board.**

Cook County Health (CCH)  
Internal Audit Charter

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#### Mission

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit will align its activities with the mission and strategy of CCH. Internal Audit will promote good controls and serve as an educational resource to its stakeholders with respect to risk management, control and governance processes. Internal Audit will maintain a collaborative approach to its work practices and will ensure its work product provides value added outputs for its stakeholders.

#### Role

- Internal Audit's role is determined by the CCH Board of Directors through its Audit and Compliance Committee.
- Internal Audit's responsibilities are defined by the CCH Board of Directors through its Audit and Compliance Committee.

#### Professional Standards

- Internal Audit will govern themselves by adherence to the Institute of Internal Auditor's "Code of Ethics". <http://www.theiia.org/guidance/standards-and-guidance/ippf/code-of-ethics/english/>
- The Institute's "International Professional Practice Framework" shall constitute the operating procedures for the department. These documents are considered an addendum to this Charter. <http://www.theiia.org/guidance/standards-and-guidance/ippf/standards/>
- Internal Audit will adhere to all CCH policies and procedures and all Internal Audit procedure manuals.

#### Authority

Internal Audit is authorized to:

- Have unrestricted access to all functions, records, property and personnel.
- Have free, open, and timely access to the Chief Executive Officer and the CCH Board of Directors through its Audit and Compliance Committee.
- Allocate department resources, set frequencies, select subjects, determine scope of work and apply the techniques required to achieve audit objectives.
- Obtain the necessary assistance of personnel in the organization when performing audits, as well as other specialized services from within or outside the organization.

#### Independence

- All audit activities shall remain free of influence by any element in the organization, including matters of audit scope, procedures, frequency, timing, or report content, required to permit the independence required to render objective reports.
- Internal auditors shall have no operational responsibility or authority over any activities they review.
- Internal auditors shall not develop or install systems or procedures, prepare records or engage in any other activity that they would normally audit.

# Internal Audit Charter

## 1110 – Organizational Independence

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. **The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.**

### Interpretation:

Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- ❑ Approving the internal audit charter;
- ❑ Approving the risk based internal audit plan;
- ❑ Approving the internal audit budget and resource plan;
- ❑ Receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;
- ❑ Approving decisions regarding the appointment and removal of the chief audit executive;
- ❑ Approving the remuneration of the chief audit executive; and
- ❑ Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

# Internal Audit Charter

## Considerations for Implementation

Based on this foundational work, the CAE (or a delegate) drafts an internal audit charter. The IIA offers a model internal audit activity charter that may be used as a guide. Although they vary by organization, charters typically include the following sections:

**Introduction** – to explain the overall role and professionalism of the internal audit activity, citing the relevant elements of the International Professional Practice Framework (IPPF).

**Authority** – to specify the internal audit activity’s full access to the records, physical property and personnel required to perform its engagements and to declare its accountability for safeguarding assets and confidentiality.

**Organization and Reporting Structure** – to document the CAE’s reporting structure. The CAE reports functionally to the board and administratively to a level within the organization that allows the internal audit activity to fulfill its responsibilities. This section may delve into specific functional responsibilities, such as approving the charter and audit plan, and hiring, compensating, and terminating the CAE; as well as administrative responsibilities, such as supporting information flow within the organization or approving human resource administration and budgets.

**Independence and Objectivity** – to describe the importance of internal audit independence and objectivity and how these will be maintained, such as prohibiting internal audit from having operational responsibility or authority over areas audited.

**Responsibilities** – to lay out major areas of ongoing responsibility, such as defining the scope of assessments, writing an audit plan and submitting it to the board for approval, performing assessments, communicating the results, providing a written audit report, and monitoring corrective actions taken by management.

**Quality Assurance and Improvement** – to describe the expectations for maintaining, evaluating, and communicating the results of a quality program that covers all aspects of the internal audit activity.

**Signatures** – to document the agreement between the CAE, a designated board representative, and the individual to whom the CAE reports, with the date, name, and title of signatories.



Thank you. 



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