

SOUTHWEST TENNESSEE COMMUNITY COLLEGE**SUBJECT: Internal Auditing****EFFECTIVE DATE: July 1, 2000; Revised February 22, 2011; Revised April 14, 2022****Purpose**

The purpose of this policy is to address the responsibilities of the internal auditor, audit planning, and reporting on internal audit activities for Southwest Tennessee Community College (“Southwest” or “the College”).

Policy/Procedure**I. General Statement**

- A. The internal audit function contributes to the improvement of Southwest’s operations by providing to management and the Tennessee Board of Regents (“TBR”) objective and relevant assurances related to risk management, controls, and processes.
- B. Management is responsible for evaluating the College’s risks, as well as establishing and maintaining adequate controls and processes.
- C. To provide relevant information, the internal audit activity will consider the goals of the College, management's risk assessments, and other input from management in determining its risk-based audit activities.

II. Internal Audit Standards

- A. Each internal audit function shall adhere to The Institute of Internal Auditors' (“IIA”) International Standards for the Professional Practice of Internal Auditing and Code of Ethics (Tennessee Code Annotated § 4-3-304 (9)). The Institute of Internal Auditors, International Professional Practices Framework (“IPPF”), incorporates the definition of internal auditing, the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics, and the Core Principles for the Professional Practice of Internal Auditing into one document. It includes the following definition of internal auditing:

Internal Auditing 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.

- B. Risk is the possibility of an event occurring that will have an impact on the achievement of an institution's goals and objectives.
1. Risk is measured in terms of the impact an event may have and the likelihood that the event will occur.
 2. To optimize the achievement of Southwest's goals and objectives, the Tennessee Board of Regents ("TBR") and management acts to minimize the related risks by implementing reasonable procedures to control and monitor the risks.
- C. Governance processes are the combination of processes and structures implemented by TBR to form, direct, manage, and monitor the activities of the College toward the achievement of its objectives.
1. Examples of such processes include:
 - a. The College's organizational structure or the organizational structure of a College division or department.
 - b. Policies, guidelines and procedures instituted by TBR or management to direct and control a particular activity, such as maintenance fees or hiring practices.
 - c. Preparation and review procedures for preparing reports, such as annual financial statements or federal grant or financial aid reports.
- D. The IPPF includes attribute standards, which address the expected characteristics of organizations and individuals performing internal audit activities and performance standards, which describe the nature of internal audit activities and establish criteria to evaluate the performance of internal audit activities.
- E. To assure compliance with IIA Standards, the Southwest internal audit office must implement and maintain a quality assurance and improvement program that incorporates both internal and external review activities.
1. Internal reviews include both ongoing and periodic review activities.
 2. External reviews must be performed at least every five (5) years by a qualified, independent reviewer.
 3. Results of quality assurance reviews will be communicated to the Audit Committee and management.

III. Internal Audit Personnel

- A. Pursuant to TBR policy 4.01.05.00, Southwest will employ at least one full-time internal auditor.
- B. Titles of internal audit staff shall be consistent within the overall institutional structure.
- C. The following is information regarding internal audit staff:
 - 1. Internal audit staff must possess the professional credentials, knowledge, skills, and other competencies needed to perform their individual responsibilities.
 - 2. The internal audit function collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.
 - 3. The campus Internal Audit Director and the System-wide Chief Audit Executive must be licensed as a Certified Public Accountant or a Certified Internal Auditor, maintain an active license and annually complete sufficient, relevant continuing professional education to satisfy the requirements for the professional certification held.
 - 4. Other system auditors should annually complete sufficient, relevant continuing professional education to satisfy the requirements for their related professional certification or, at a minimum, forty hours of relevant continuing professional education.
 - 5. Internal Audit Directors should communicate concerns to management and the System-wide Chief Audit Executive regarding the lack of sufficient resources to complete the objectives of an engagement or the audit plan.
 - 6. Such resources may include the need for additional personnel or personnel with specialized knowledge, such as those with knowledge of fraud, information technology or other technical areas.
- D. The appointment of a Southwest Internal Audit Director as recommended by the President, is subject to approval by the TBR Chancellor or the Chancellor's designee.
- E. Compensation for Southwest's internal auditors is subject to review by the TBR Audit Committee.
- F. Termination or change of status of the Southwest Internal Audits Director requires prior approval of the TBR Chancellor and the TBR Audit Committee.

IV. Internal Audit Role and Scope

A. Reporting Structure

1. Southwest's internal auditors report to the President but has audit reporting responsibility to the TBR Audit Committee and the TBR Chief Audit Executive.
2. This reporting structure assures the independence of the internal audit function.

B. TBR's Auditing department host periodic meetings and communicates with the Southwest Audit Director on matters of mutual interest.

C. The TBR Auditing department also maintains an internal audit manual to guide the internal audit activity in a consistent and professional manner for Southwest and other TBR institutions.

D. Southwest's internal auditors' responsibilities include:

1. Working with management to assess Southwest's risks and developing an audit plan that considers the results of the risk assessment.
2. Evaluating the College's controls to determine their effectiveness and efficiency.
3. Coordinating work with external auditors, program reviewers, and consultants.
4. Determining the level of compliance with internal policies and procedures, state and federal laws, and government regulations.
5. Testing the timeliness, reliability, and usefulness of Southwest's records and reports.
6. Recommending improvements to controls, operations, and risk mitigation resolutions.
7. Assisting Southwest with its strategic planning process to include a complete cycle of review of goals and values.
8. Evaluating program performance.
9. Performing consulting services and special requests as directed by the Audit Committee, the Chancellor, or the Southwest President.

E. The scope of internal auditing extends to all aspects of Southwest operations and beyond fiscal boundaries. The internal auditor shall have access to all records,

- personnel, and physical properties relative to the performance of duties and responsibilities.
- F. The scope of a particular internal audit activity may be as broad or as restricted as required to meet management needs.
 - G. Objectivity is essential to the internal audit function. Therefore, internal audit personnel should not be involved in the development and installation of systems and procedures, preparation of records, or any other activities that the internal audit staff may review or appraise. However, internal audit personnel may be consulted on the adequacy of controls incorporated into new systems and procedures or on revisions to existing systems.
 - H. Management is responsible for identifying, evaluating, and responding to potential risks that may impact the achievement of the College's objectives. Auditors continually evaluate the risk management, internal control, and governance processes. To facilitate these responsibilities, the Internal Audit department will receive notices or copies of external audit reviews, program reviews, fiscally related consulting reports, cash shortages, physical property losses, and employee misconduct.

V. Audit Plans and Activity Reports

- A. Southwest's Internal Audit department shall develop an annual audit plan using an approved risk assessment methodology.
- B. At the beginning of each fiscal year, after consultation with the Chancellor or with the President and other management, Internal Audit will prepare an annual audit plan. The audit plan must be flexible to respond to immediate issues and will be revised for such changes during the year.
- C. Audit plans and revisions will be reviewed by TBR's Chief Audit Executive and approved by the TBR Audit Committee.
- D. At the end of each fiscal year, Internal Audit will prepare an annual activity report of all significant audit services performed.
- E. Annual activity reports and approved audit plans will be provided to the Tennessee Comptroller's Office, Division of State Audit.

VI. Audit Engagements

- A. Audit engagements will be planned to provide relevant results to management and the TBR Audit Committee regarding the effectiveness and efficiency of processes and controls over operations. To ensure management's expectations are met, auditors will communicate with management regarding the objectives and scope of the engagement.

- B. In planning and during the engagement, auditors should consider and be alert to risks that affect Southwest's goals and objectives, operations, and resources. Auditors should consider risks based on the operations under review, which include, but are not limited to, the risk of financial misstatements, noncompliance, and fraud.
- C. An audit work program will be designed to achieve the objectives of the engagement and will include the steps necessary to identify, analyze, evaluate, and document the information gathered and the conclusions reached during the engagement.
- D. Working papers that are created, obtained, or compiled by internal audit staff are confidential and are not an open record pursuant to TCA § 4-4-304 (9).

VII. Communicating Audit Results

- A. A written report that documents the objectives, scope, conclusions, and recommendations of the audit will be prepared for audit engagements providing assurance to management and TBR. Management will include corrective action for each reported finding.
- B. The Internal Audit department will follow-up on findings and recommendations included in internal audit reports, investigation reports, and State Audit reports. The status of Internal Audit recommendations and/or findings will be monitored through the recommendation logs. For recommendations not corrected at the time of Internal Audit follow-up or the corrective action due date, management will be asked to provide a revised corrective action implementation date. A written internal audit follow-up report is required for all State Audit reports that include findings, regardless of the current status of audit findings. The TBR Chancellor or Southwest President, along with the TBR Audit Committee, will be notified at the conclusion of a follow-up review if management has not corrected the reported finding or implemented the recommendation.
- C. A written report that documents the objectives, scope, conclusions, and recommendations will be prepared for investigations resulting from allegations or identification of fraud, waste, or abuse. As appropriate to the circumstances, management will include corrective action for each reported finding. In a case where allegations are not substantiated by the review and there are no other operational concerns to report to management regarding the review, the case may be closed by writing a memo to the working paper file documenting the reasons for closing the case.
- D. Reports on special studies, consulting services, and other non-routine items should be prepared as appropriate, given the nature of the assignment.
- E. All internal audit reports will be signed by Southwest's Internal Audit Director and transmitted directly to the TBR Chancellor or President in a timely manner.
- F. The Southwest Internal Audit Director will transmit an electronic copy of the internal audit report to the TBR Chief Audit Executive.

G. The TBR Chief Audit Executive will present significant results of internal audit reports to the TBR Audit Committee quarterly.

H. The TBR Chief Audit Executive will provide a copy of each report to the Tennessee Comptroller's Office, Division of State Audit.

VIII. Exceptions

Any exceptions to the policy established herein shall be subject to the approval of the TBR Chief Audit Executive and the Audit Committee.

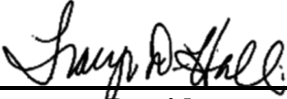
Responsible

Source of Policy: TBR

Administrator: Director of Internal Audit

Related Policy: _____

TBR Policy/Guideline: 4.01.05.00

Approved: 
President

Date: April 14, 2022