SOUTHWEST TENNESSEE COMMUNITY COLLEGE

SUBJECT: Internal Auditing

EFFECTIVE DATE: July 1, 2000/ Revised: February 22, 2011

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I. Background

Tennessee Board of Regents Policy 4:01:05:00 provides the College with general and specific provisions for an internal audit function. The guideline stipulates that each institution shall establish an internal audit department.

Tennessee Code Annotated Section 4-3-304 requires internal auditors to coordinate audits with the Comptroller of the Treasury and to comply with “Standards for the Professional Practice of Internal Auditing” published by the Institute of Internal Auditors, Inc.

II. Role and Scope

The role of an internal audit department is to assist management in the accomplishment of the institution’s goals. The internal audit department assists management by evaluating internal controls and providing management advisory services.

The scope of the internal auditing function extends to all aspects of institutional operations and beyond fiscal boundaries. The internal auditor shall have access to all records, personnel, and physical properties relative to the performance of audits.

III. Objectivity

The Director of Internal Audit reports directly to the President of the College.

To maintain objectivity, the internal audit department should not make managerial decisions, record information, prepare reports, or perform other duties which may be reviewed or appraised.
IV. Audits

A. Audit Plan

The Director of Internal Audit prepares an annual audit plan for the President’s approval. The plan will list the areas to be audited and the expected completion date. The President will submit to the Chancellor two copies of the institution’s plan and the status of the past year’s plan.

The areas to be audited are selected from a risk analysis. This method ensures that all pertinent factors are considered and analyzed. The highest risk areas will be selected.

See Internal Audit Charter attached.

B. Types of Audits

The basic types of audits are:
- Financial and compliance
- Operational
- Special studies
- Investigative audits

C. Reports

Each audit will be concluded with the insurance of a written report which is sent to the President and other appropriate personnel. The President transmits two copies of all reports to the Chancellor. The report will contain the following sections:
- Audit objectives
- Scope of the audit
- Prior audit results
- Current findings
- Recommendations
- Management response

The findings, recommendations, and management’s responses must be agreed upon before the report is submitted to the Chancellor. The management response should begin with “We concur with the finding and recommendation.”

D. Follow-Up

A follow-up review will be performed to determine that correct action was taken for reported findings. The follow-up report will be issued to the same person that received the original report.

Source: Internal Auditor/Office of the President: July 1, 2000; February 22, 2011
Southwest Tennessee Community College

Internal Audit Charter

Introduction

Southwest Tennessee Community College is an institution of the Tennessee Board of Regents (TBR) system. The system is governed by the Board of Regents, consisting of 18 members (the Board) as determined by state law. The TBR Audit Committee is a standing committee of the Board. In accordance with the "State of Tennessee Audit Committee Act of 2005," the Director of System-wide Internal Audit reports directly to the Audit Committee and the Board and oversees the internal audit operations. Southwest Tennessee Community College employs an internal auditor in accordance with TBR policy.

Purpose

Internal Audit is an independent objective assurance and consulting activity designed to add value and improve Southwest Tennessee Community College management systems. Internal Audit helps Southwest Tennessee Community College accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal Audit assists Southwest Tennessee Community College's management in the effective discharge of their duties and responsibilities by evaluating activities, recommending improvements, and providing other information designed to promote effective controls.

Southwest Tennessee Community College's management has the primary responsibility for establishing and maintaining a sufficient system of internal controls.

Authority and Scope

Internal Audit's review of operations may include the examination and evaluation of the effectiveness of all aspects of institutional operations at Southwest Tennessee Community College. In the course of its work, Internal Audit has full and complete direct access to all Southwest Tennessee Community College books, electronic and manual records, physical properties, and personnel information relative to the performance of duties and responsibilities. All documents and information given to Internal Audit during their work will be handled in the same prudent manner that Southwest Tennessee Community College expects of the employees normally accountable for them.

Internal Audit has neither direct responsibility for, nor authority over, any of the activities, functions, or tasks it reviews nor shall their review relieve others of their responsibilities. The
internal auditors must maintain a high degree of independence and not be assigned duties or engage in any operations or decision making in any activities that they would normally be expected to review or evaluate as part of the normal audit function.

**Responsibility and Role**

TBR Policy 04:01:05:00, *Internal Audit*, states the role of Internal Audit is to assist members of the organization in the effective discharge of their responsibilities. Meaningful internal auditing requires cooperation among Internal Audit, Southwest Tennessee Community College's administration, and the department under audit. In fulfilling their responsibilities, Internal Audit will:

- Comply with auditing standards established by the Institute of Internal Auditors to ensure the effectiveness and quality of the internal audit effort.
- Develop and implement audit plans and programs after consultation with the President that respond to both risk and cost effectiveness criteria.
- Review the reliability and integrity of information, and the information technology processes that produce that information.
- Verify compliance with applicable policies, guidelines, laws, and regulations.
- Suggest policies and procedures or improvements to existing policies and procedures where appropriate.
- Provide audit reports that identify internal control issues and make cost-effective recommendations to strengthen control.
- Facilitate the resolution of audit issues with administrators who have the most direct involvement and accountability.
- Review institutional operations (financial and other) on an advisory basis to inform and assist management in the successful execution of their duties.
- Review management’s risk assessment process and advise management on the reasonableness and propriety of the assessment.
- Promote and evaluate fraud prevention and identification programs and investigate allegations involving fraud, waste, and abuse.
- Promote appropriate ethics and values within the organization.
• Communicate activities and information among the board, internal auditors, external auditors and the administration.

Organizational Status/Reporting Structure

In accordance with T.C.A. 49-14-102 and TBR Policy 4-01-05-00, Internal Audit, the Director of System-wide Internal Audit reports directly to the Audit Committee and the TBR. Southwest Tennessee Community College's internal auditors report to the respective President with audit reporting responsibility to the Audit Committee and the Board through the Director of System-wide Internal Audit.

The internal auditing services provided by Internal Audit are reported directly to the President/Chancellor and the TBR Audit Committee. All audit work is summarized in timely written reports distributed to management to ensure that the results are given due consideration. In addition to management, reports or summaries are distributed to all members of the Audit Committee and a copy of each report is distributed to the State of Tennessee, Comptroller's Office. Management is provided a discussion draft of the audit report prior to the report being issued. Internal Audit is responsible for following up timely on audit findings to ascertain the status of management's corrective actions.

Audit Standards and Ethics

All internal audit work conforms to the Standards for the Professional Practice of Internal Auditing and Code of Ethics promulgated by the Institute of Internal Auditors. Internal auditors are expected to consistently demonstrate high standards of conduct and ethics as well as appropriate judgment, independence and discretion.

Periodic Review of Internal Audit Charter

This charter will be periodically assessed by the chief audit executive to determine whether the purpose, authority, and responsibilities defined in this charter are adequate to enable the internal auditing activity to accomplish its objectives. The results of the periodic assessment will be communicated to senior management and the Audit Committee.

[Signatures and dates]

President, Southwest Tennessee Community College
Date

Auditor, Southwest Tennessee Community College
Date