

I:05:01 Internal Auditing

Purpose

It is the policy of the College to establish and support an Office of Internal Audit as an independent appraisal function. The fundamental purpose of internal auditing is to provide an independent, objective assurance and consulting activity designed to add value and improve operations. To accomplish this purpose, the Office of Internal Audit will provide management with analyses, recommendations, counsel, and information concerning the activities that are reviewed.

Authority

The Internal Auditor reports directly to the President with audit reporting responsibility to the Board of Regents Audit Committee through the Director of System-Wide Internal Audit. This reporting relationship assures the highest level of independence, promotes comprehensive audit coverage, and encourages sufficient consideration of internal audit recommendations.

The scope of the Office of Internal Audit is not restricted. All activities of the college are subject to audits, including executive, academic, fiscal, and student services operations. Authorization is granted for full and complete access to all College records, personnel, and physical properties. The Internal Auditor is strictly accountable for the safekeeping of all proprietary and confidential information ascertained during the performance of audits.

The Internal Auditor has neither operating responsibilities nor authority over any of the activities that are reviewed. The performance of internal audits does not relieve College administrators of any of their assigned responsibilities.

All internal audit endeavors will be conducted in compliance with College and Tennessee Board of Regents policies and guidelines. Internal audits will also be performed in accordance with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics issued by the Institute of Internal Auditors and the Tennessee Board of Regents audit manual.

Responsibilities

The Internal Auditor shall exercise honesty, objectivity, and diligence in carrying out the duties and responsibilities of the Office of Internal Audit. The Internal Auditor's opinions and conclusions shall be based on factual conditions and circumstances, and such opinions and conclusions shall not be rendered until sufficient supporting evidence has been gathered, examined, and interpreted.

The Office of Internal Audit is responsible for planning and conducting a comprehensive program of internal auditing within the college which is designed to assess the various activities and to advise management concerning their condition.

Internal audits encompass the examination and evaluation of the adequacy of each activity's system of internal control, efficiency and effectiveness of operation, and quality of performance in carrying out assigned responsibilities. Basic types of internal audits and audit services are discussed below.

- Financial Audits are examinations of fiscal records and related controls to determine if funds are being properly expended, if receipts are properly recorded and controlled, if assets are appropriately safeguarded from loss, and if financial records and statements are complete, accurate, and reliable.
- Compliance Audits are examinations of activities and related controls and records to determine the degree and adequacy of institutional compliance with governing laws, regulations, policies, and administrative directives.
- Operational Audits are examinations which focus on efficiency and effectiveness of operations. These audits include review of operating policies, procedures, and practices, as well as the utilization and control of financial and non-financial resources, such as personnel, facilities, equipment, supplies, etc.
- Information Technology Audits are examinations of computer networks and systems for the purpose of determining whether they are adequately protected from unauthorized use, and for evaluating the integrity and control of computer resources, applications, databases, and reports.
- Program Results Audits are examinations of particular programs or initiatives to ascertain whether operations are being conducted as planned and to determine if outcomes are consistent with intended objectives and goals.
- Special Studies consist of compilation and interpretation of information relating to some specific point affecting management control. They are usually undertaken to find the answer to some question which has arisen or to determine the validity of a proposal which has been made.
- Management Advisory Services are offered to individuals and departments within the College and usually involve financial or control matters where the training and experience of the Internal Auditor can be of benefit. The Office of Internal Audit shall not perform any line of responsibilities in any area subject to audit, but the Internal Auditor may consult on the adequacy of resources or controls incorporated into new systems or programs or on revisions to existing systems or programs.
- Investigations are conducted to substantiate or refute alleged instances of loss due to theft, misfeasance, or other irregularities by employees, students, or other individuals. These examinations are usually unplanned and may result from information received from individuals, employees, management, and external agencies or auditors.

The scope of a particular internal audit may be as broad or as restricted as required to meet audit objectives and management needs, and it may integrate components of more than one audit type. Such examinations and studies will result in written comments, observations, findings and/or recommendations.

A formal audit plan listing all activities subject to audit is prepared and submitted to the President for approval at the beginning of each fiscal year. The President will submit two copies to the Director or System-Wide Internal Audit, who will forward one copy to the Comptroller of the Treasury and prepare a system-wide internal audit plan for approval by the Audit Committee. The frequency of specific internal audits is determined, in part, by such factors as: (1) requirements of the President and Board of Regents (2) requests of management and external auditors (3) nature and sensitivity of the activity (4) changes in unit personnel (5) significant changes in volume of work or unit responsibilities (6) perceived adequacy of internal controls (7) and introduction of new or revised laws, regulations, policies, or technologies.

The Internal Auditor will prepare and issue a written report at the conclusion of each audit. Upon approval of the President, the report will be distributed to appropriate College personnel. The President will also transmit two copies to the Director of System-Wide Internal Audit.

The following format will be used in the preparation of all formal internal audit reports:

- Executive Summary
- Introduction
- Objective of the Audit
- Scope of the Audit
- Prior Audit Results:
 - Findings
 - Recommendations
 - Management's Response
 - Current Status
 - Current Recommendation
- Current Audit Results
 - Summary
 - Findings
 - Observations
 - Recommendations
 - Management's Response
- Audit Conclusion

Management, including the appropriate Vice President, will be provided with a discussion draft of the audit report prior to its issuance. The finding(s) as presented in the discussion draft should factually address legitimate audit concerns and exceptions, and the recommendation(s) should propose management action(s) to correct the situation(s) cited in the finding(s). Management is required to provide a written response to each audit finding and recommendation. The response must state whether management does or does not concur with the audit finding and/or

recommendation. If management concurs, the response will include a description of the action planned or taken to correct the circumstances surrounding the audit finding, including timetables and other documentation as required. All management responses submitted to the Office of Internal Audit will be approved by the appropriate Vice President.

The Internal Auditor and management should make every effort to attain agreement on the reported audit finding(s) and recommendation(s). However, should management not concur with an audit finding and/or recommendation due to professional differences of opinion with the Internal Auditor, the final audit report shall include an audit rejoinder.

The Office of Internal Audit will follow-up on each audit finding and recommendation to ascertain if management has implemented the action plan described in the management's response section of the audit report. A written report of the follow-up will be issued, and distribution will be the same as listed in the original audit report.

TBR Source: 4:01:05:00: June 3, 1981 TBR Presidents' Meeting; July 1, 1984; May 20, 1986; February 14, 1989; November 14, 1989; August 13, 2002; February 10, 2004; November 18, 2004; June 29, 2007

VSCC Source: December 12, 1997, President; November 30, 2007, President; January 15, 2009, President's Cabinet