

# **Dyersburg State Community College**

## **Internal Audit Charter**

### **Introduction**

Dyersburg State Community College (the College) is an institution of the Tennessee Board of Regents (TBR) system. The system is governed by the Board of Regents, consisting of 19 members (the Board) as determined by state law. The TBR Audit Committee is a standing committee of the Board.

### **Purpose**

The purpose of the internal audit function is to strengthen Dyersburg State Community College's ability to create, protect, and sustain value by providing the Board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances Dyersburg State Community College's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Dyersburg State Community College's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards<sup>TM</sup>, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

### ***Commitment to Adhering to the Global Internal Audit Standards***

The Dyersburg State Community College's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The System-wide Chief Audit Executive will report annually to the Audit Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

## **Mandate**

### ***Authority***

In accordance with the T.C.A. Higher Education Accountability Act of 2004 (Tenn. Code Ann. § 49-14-101) and the T.C.A. Audit Committee Act of 2005 (Tenn. Code Ann. § 4-35-102), the Board created an Audit Committee and a System-wide Chief Audit Executive. The System-wide Chief Audit Executive's direct reporting relationship to the Audit Committee creates the internal audit authority and allows for unrestricted access to the Board. Dyersburg State Community College employs an internal auditor as described in the TBR Internal Audit policy (TBR Policy 04.01.05.00, Internal Audit).

The Audit Committee authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Dyersburg State Community College and other specialized services from within or outside Dyersburg State Community College to complete internal audit services.

The System-wide Chief Audit Executive will be provided with access to internal audit workpapers or other internal audit files and documentation by the College as needed for review, continuity of audit operations, determination of System-wide best practices, or as otherwise deemed necessary.

### ***Independence, Organizational Position, and Reporting Relationships***

The System-wide Chief Audit Executive and the College Director will be positioned at a level in the college that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section.)

The System-wide Chief Audit Executive will report functionally to the Audit Committee and administratively (for example, day-to-day operations) to the TBR Vice Chancellor for Business and Finance. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The College Director reports to the college President with audit reporting responsibility to the Audit Committee and the Board through the System-wide Chief Audit Executive.

The Dyersburg State Community College management has the primary responsibility for establishing and maintaining a sufficient system of internal controls.

The System-wide Chief Audit Executive will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the System-wide Chief Audit Executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The System-wide Chief Audit Executive will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

### ***Changes to the Mandate and Charter***

Circumstances may justify a follow-up discussion between the System-wide Chief Audit Executive, the Audit Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the college.
- Significant changes in the System-wide Chief Audit Executive, the Audit Committee, and/or senior management.
- Significant changes to the college's strategies, objectives, risk profile, or the environment in which the college operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## **Chief Audit Executive and College Director Roles and Responsibilities**

### ***Ethics and Professionalism***

The System-wide Chief Audit Executive and the College Director will ensure that the internal audit activity:

- Conforms with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understands, respects, meets, and contributes to the legitimate and ethical expectations of the college and be able to recognize conduct that is contrary to those expectations.
- Encourages and promotes an ethics-based culture in the college.
- Reports organizational behavior that is inconsistent with the college's ethical expectations, as described in applicable policies and procedures.

### ***Objectivity***

The System-wide Chief Audit Executive and the College Director will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the System-wide Chief Audit Executive or the College Director determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Dyersburg State Community College or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Dyersburg State Community College employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, at least annually, to appropriate parties such as the System-wide Chief Audit Executive, the Audit Committee, or management.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### ***Managing the Internal Audit Function***

The System-wide Chief Audit Executive and the College Director have the responsibility to:

- Develop a risk-based internal audit plan annually that considers the input of the Audit Committee and senior management. The College Director submits the plan to the System-wide Chief Audit Executive for presentation to the Audit Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management.

- Review and adjust the internal audit plan at least quarterly in response to changes in Dyersburg State Community College's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee and senior management quarterly and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the TBR system or the colleges and communicate to the Audit Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to relevant policies and procedures of the TBR system and the colleges unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the System-wide Chief Audit Executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.

### ***Communication with the Audit Committee and Senior Management***

The System-wide Chief Audit Executive meets with the Audit Committee quarterly. The following are periodically reported to the Audit Committee and senior management:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.

- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee that could interfere with the achievement of the TBR system and the College strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risks that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the TBR system or the College risk appetite.

### ***Quality Assurance and Improvement Program***

The System-wide Chief Audit Executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the System-wide Chief Audit Executive will communicate with the Audit Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the TBR System; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential. Experience in higher education internal auditing will also be considered when selecting external assessors.

### **Scope and Types of Internal Audit Services**

The scope of internal audit services covers the entire breadth of the College, including all activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for Dyersburg State Community College.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities

for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the College's strategic objectives are appropriately identified and managed.
- The actions of officers, directors, management, employees, and contractors or other relevant parties comply with TBR or college policies, procedures, and applicable laws, regulations, and governance standards.
- Operations and programs are performed effectively, efficiently, ethically, and equitably with results that are consistent with established goals and objectives.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Dyersburg State Community College.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

### **Periodic Review of Internal Audit Charter**

The System-wide Chief Audit Executive will periodically assess this charter 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.