



# PimaCountyCommunityCollegeDistrict

## Administrative Procedure

### *AP Title:*

### **Internal Audits**

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### *Sponsoring Unit/Department:*

Internal Audit

### *Board Policy Title & No.:*

Internal Audits, BP 7.01

### *Legal Reference:*

### *Cross Reference:*

The Office of the Internal Auditor (Internal Audit) is an independent, objective, assurance and [advisory consulting](#) services designed to add value and improve the operations of Pima Community College (PCC). Internal Audit helps PCC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and help to improve the effectiveness of risk management, control, and governance processes.

## **PURPOSE**

Internal Audit is an internal resource serving PCC employees, management, the Chancellor, the Governing Board, and the Finance and Audit Committee. Internal Audit assists PCC with fulfilling its vision, values, mission, and goals. While practicing stringent regard for safekeeping and confidentiality of information received, Internal Audit will furnish analysis, appraisal, recommendations, advice, and information concerning the activities reviewed. Internal Audit is concerned with any phase of PCC activity where the department can be a service to management, faculty, and staff.

## SECTION 1: Mission

Guided by a philosophy of adding value, the mission of Internal Audit is to enhance and protect organizational value by providing independent, objective, and risk-based assurance, advice, ~~and~~ insight, and foresight regarding PCC's system of internal control and underlying business processes, while embodying the commitment of improvement and betterment of the college, its students, and the community.

## SECTION 2: Objectives

In addressing its mission, the primary objectives of Internal Audit are to support and assist employees, management, the Chancellor, the Governing Board, and the Finance and Audit Committee in the effective discharge of their responsibilities by providing analyses, testing, recommendations, advice, and information concerning:

- The adequacy and effectiveness of the PCC's internal control structure;
- The safeguarding of assets;
- Compliance with applicable laws and regulations;
- Achievement of management's operational objectives; and efficiency;
- Effective business processes to achieve internal control at a reasonable cost.
- The effectiveness of PCC's ethical culture;
- Enhancing the organization's decision-making and oversight; and
- Strengthening the organization's ability to serve the public interest.

## SECTION 3: Scope of Work

The scope of Internal Audit's responsibilities encompasses all systems, processes, operations, functions, and activities of PCC. In assessing the adequacy and effectiveness of PCC's governance, internal control structure, risk management processes, and performance in carrying out assigned responsibilities to achieve PCC's stated goals, Internal Audit will:

- Assist with maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement;
- Assess financial and operating information and the methods used to initiate, authorize, record, process, and report such information to validate the reliability and integrity of the process;
- Review policies, plans, procedures, laws, and regulations that could have a significant impact on the processes subject to audit to determine whether PCC is in overall compliance;

- Review the means to safeguard assets as well as the adequacy and effectiveness of applicable policies and practices;
- Evaluate the economy and efficiency with which processes are implemented and performed, and resources are utilized; ~~and~~
- Review operations and programs to ascertain whether results are consistent with established objectives; and
- Gather information, perform analyses and evaluations to identify potential findings, determine causes and effects, develop recommendations and/or action plans, and formulate conclusions.

## SECTION 4: Definitions

### Activity Under Review

The subject of an internal audit engagement. Examples include an area, entity, operation, function, process, or system.

### Advisory Services

Services through which internal auditors provide advice to an organization's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems, and products; providing training; and facilitating discussions about risks and controls. Also known as "Consulting Services."

### Assurance

A statement intended to increase the level of stakeholders' confidence about an organization's governance, risk management, and control processes over an issue, condition, subject matter, or activity under review when compared to established criteria. Examples may include financial, performance, compliance, operational, and system security engagements (audits).

~~An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, operational, and system security engagements (audits).~~

### **Code of Ethics**

The Code of Ethics of the Global Internal Audit Standards (GIAS) are principles and standards that outline the behavioral expectations for professional internal auditors and apply to both individuals and entities providing internal audit services,

promoting an ethical culture in the profession.

~~The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.~~

### **Compliance**

Adherence to laws, regulations, contracts, policies, procedures, and other requirements.

### **Conflict of Interest**

A situation, activity, or relationship that may influence, or appear to influence, an internal auditor's ability to make objective professional judgments or perform responsibilities objectively.

### **Consulting Services**

~~Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.~~

### **Control**

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

### **Core Principles for the Professional Practice of Internal Auditing**

~~The Core Principles for the Professional Practice of Internal Auditing are the foundation for the International Professional Practices Framework and support internal audit effectiveness.~~

### **Control Processes**

The policies, procedures, and activities designed and operated to manage risks to be within the level of an organization's risk tolerance.

**Engagement**

A specific internal audit assignment or project that includes multiple tasks or activities designed to accomplish a specific set of related objectives.

**Finding**

In an engagement, the determination that a gap exists between the evaluation criteria and the condition of the activity under review. Other terms, such as “observations,” may be used.

**Fraud**

Any intentional act characterized by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organizations to secure unjust or illegal personal or business advantage.

**Governance**

The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

**Independence**

The freedom from conditions that may impair ~~threaten~~ the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

**Internal Audit Charter**

A formal document that includes the internal audit function’s mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications.

**Internal Audit Function**

A professional individual or group responsible for providing an organization with assurance and advisory services.

**Internal Audit Plan**

A document developed by the Internal Auditor that identifies the engagements and other internal audit services anticipated to be provided during a given period. The plan should be risk-based and dynamic, reflecting timely adjustments in response to changes affecting the organization.

**Quality Assurance and Improvement Program (QAIP)**

A program established by the Internal Auditor to evaluate and ensure the internal

audit function conforms with the GIAS, achieves performance objectives, and pursues continuous improvement.

### **Recommendation**

Actions Internal Audit recommends be taken to correct the audit issue. The audit recommendation is designed to help the department achieve its goals and address the issue's root cause.

### **Risk Management**

A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

### **Stakeholder**

A party with a direct or indirect interest in an organization's activities and outcomes. Stakeholders may include the board, management, employees, customers, vendors, shareholders, regulatory agencies, financial institutions, external auditors, the public, and others.

## **SECTION 5: Organization, Independence, Authority**

Internal Audit shall report directly to the Chancellor, or his/her designee, and shall have direct access to the Chancellor, the Governing Board, and the Finance and Audit Committee should matters of immediate importance arise that require their attention. The results of audit activities shall be reported to the audit client, the Chancellor, the Governing Board, and the Finance and Audit Committee.

The Internal Auditor shall remain independent and objective with the ability to report directly to the Governing Board, and the Finance and Audit Committee any situation where the auditor perceives a conflict of interest with, or on the part of, the Chancellor's involvement with the subject of an audit. Annually, the Internal Auditor must confirm the organizational independence of the internal audit function to the Governing Board or Finance and Audit Committee including communicating any incidents where independence may have been impaired and the actions or safeguards employed to address the impairment.

In addition, Internal Audit shall have the ability to report directly to outside legal counsel or an applicable state agency any situation where the auditor perceives a conflict of interest with, or on the part of, the Governing Board, and the Finance and Audit Committee involvement with the subject of an audit.

Consistent with applicable laws, Internal Audit will have full, free, and unrestricted access to all activities, records, property, and personnel necessary to accomplish the stated purpose [and internal audit mandate](#). Internal Audit respects the value and ownership of information; information received will not be disclosed without appropriate authority unless there is a legal or professional obligation to do so.

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, Internal Audit will be independent of the activities it audits. Internal Audit will not have direct responsibility for, or authority over, any of the systems, procedures, or activities reviewed. Independence requires that Internal Audit complete work freely and objectively, in a fair and balanced manner, and not be overly influenced by personal interest or the opinion of others. [If the Internal Auditor has one or more ongoing roles beyond internal auditing, these responsibilities and established safeguards must be documented.](#)

The Internal Auditor may take an advisory role in the formation of policy and procedures and is not precluded from proactive involvement with management in planning processes, committees, or special assignments approved by the Chancellor or the Governing Board.

If Internal Audit lacks the knowledge, skills, competencies, or resources to perform all or part of the audit, or perform the audit within the time constraints necessary, or believes it is in the best interest of the College, the Internal Auditor shall present a recommendation to the Chancellor to contract with an outside party as appropriate and practical. [Such external service providers are subject to the same protection requirements for information.](#)

To best fulfill the mission and effectively utilize resources, Internal Audit should be advised of all external audits from firms and Federal or State agencies that are performing audits of PCC [to facilitate coordination when needed.](#)

## SECTION 6: Professional Standards

Internal Audit shall serve PCC, and conduct its work, in a manner consistent with the Institute of Internal Auditors' (IIA) mandatory guidance including the [GIAS](#), [which replace](#) ~~Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, and~~ the *International Standards for the Professional Practice of Internal Auditing*.

In addition, Internal Audit will adhere to IIA implementation and supplemental



guidance as applicable to guide operations. Further, Internal Audit will uphold the principles of integrity, objectivity, competency, confidentiality, and due professional care— as defined by the GIAS Ethics and Professionalism domain and adhere to relevant State and Federal law and PCC policies, procedures, and standards.

~~Further, Internal Audit will uphold the principles of integrity, objectivity, confidentiality, and competency— as defined the IIA’s Code of Ethics—and adhere to relevant State and Federal law and PCC policies, procedures, and standards.~~

## SECTION 7: Accountability and Responsibility

Internal Audit will:

- Develop an annual risk-based audit plan that is reviewed by the Finance and Audit Committee and approved by the Chancellor and Governing Board. This plan must be dynamic and updated timely in response to changes in the organization’s business, risks, operations, programs, systems, controls, and organizational culture. The plan will also consider coverage of information technology governance, fraud risk, and the effectiveness of the organization’s compliance and ethics programs;
- Provide management, the Chancellor, the Governing Board, and the Finance and Audit Committee with a written report on the results of each engagement performed, including management action taken or planned to address issues and concerns noted during the engagement, and the results of follow-up reviews to assess if issues and concerns noted during the engagement have been addressed;
- Coordinate audit efforts with independent or external auditors as well as any examinations performed by regulatory agencies to minimize duplication of efforts and highlight gaps in coverage of key risks;
- Assess whether PCC’s risk management processes are effective and relevant risk information is communicated timely across PCC enabling staff, management, the Governing Board, and the Finance and Audit Committee to effectively carry out responsibilities;
- Evaluate the potential for the occurrence of fraud and how PCC manages fraud risks, and assist in the investigation of fraud (if appropriate);
- Evaluate the design, implementation, and effectiveness of PCC’s ethics related objectives, programs, and activities and contribute to promoting an ethics-based culture within the organization;
- Conduct special projects or studies as requested by the Chancellor, the Governing Board, or the Finance and Audit Committee; ~~and~~
- Implement and maintain a Quality Assurance and Improvement



Program (QAIP), which includes internal and external assessments, to evaluate and ensure conformance with the GIAS and achievement of performance objectives; and

- Meet with the Chancellor at least monthly, and Governing Board, or the Finance and Audit Committee at least semi-annually, to discuss the audit activities and results, to identify significant departures from the approved audit plan and reasons, and to discuss emerging trends and successful practices in internal auditing. The Internal Auditor will also escalate any unresolved issues regarding management's acceptance of risk levels that exceed the organization's risk tolerance to the Board.