

### 1.1.2 PURPOSE

The Board shall be responsible for promulgating a uniform set of professional standards and a code of ethics (based on the standards and ethics of the Institute of Internal Auditors, the General Accounting Office, and other professional standards as applicable) to which all State internal auditors must adhere; serving as a clearinghouse for the correlation of internal audit training needs and training designed to meet those needs; and coordinating peer review (also referred to as quality assurance review) activities among the State's internal audit units. (30 ILCS 10/2005(f))

The Board fulfills its statutory missions through the following:

Promulgate a uniform set of professional standards and a code of ethics to which all State internal auditors must adhere:

- Review and officially adopt professional auditing standards, code of ethics, and related authoritative guidance to determine applicability to State internal auditors;
- Adopt professional auditing standards that support and enhance FCIAA requirements;
- Provide guidance on the appropriate implementation of professional auditing standards within State agencies, offices; retirement systems; and universities;
- Respond to~~Receive~~ requests for interpretation of professional auditing standards as they relate to both the State internal audit environment and FCIAA requirements;
- Monitor changes in FCIAA, professional auditing standard; and code of ethics to ensure continued conformance. ~~——(To be completed)~~

Serve as a clearinghouse for the correlation of internal audit training needs and training designed to meet those needs:

- Co-sponsor Annual Fall Government Auditing Conference with the Springfield Chapter of The Institute of Internal Auditors,
- Provide free on-line training on current requirements of FCIAA, IIA's International Professional Practices Framework, and other promulgated standards and code of ethics requirements
- Provide a resource repository on the SIAAB web site which includes additional training, resources, and guidance
- Conduct a periodic survey of State Internal Auditors to identify training needs and preferred training methods and venues
- Incorporate survey results into SIAAB-provided training and resource repository, and coordinate with the Springfield Chapter of The Institute of Internal Auditors

Coordinate quality assurance review activities among the State's internal audit units:

~~(To be completed)~~

- Establish the standards for the conduct of external and internal quality assurance assessments in accordance with the uniform professional standards adopted by the Board,
- Notify the Chief Executive Officer or Board of organizations that are not compliant with the Board's Quality Assurance Review requirements.
- Establish professional and independence qualifications for quality assurance team members and review proposed team members to determine if proposed team members meet the minimum qualifications,

- Establish quality assurance review reporting format procedures, review and accept of or reject quality assurance review reports,
- Distribute the final quality assurance report and letter accepting or declining to accept the report.

#### **1.2.4 GENERAL RESPONSIBILITIES**

In addition to carrying out the Board's duties under FCIAA (30 ILCS 10/2005), each Board member shall handle all Board communications in a manner consistent with the Open Meetings Act (5 ILCS 120).

Each Board member shall also work with the Freedom of Information Coordinator ("Officer") to ensure all Board records are maintained in accordance with the Freedom of Information Act (5 ILCS 140), State Records Act (5 ILCS 160), Identity Protection Act (5 ILCS 179), Personal Information Protection Act (815 ILCS 530), and any other laws protecting the confidentiality of such records.

All Board members should forward "official" Board records to the Freedom of Information Coordinator in a timely manner for record retention. Board records may only be destroyed in accordance with the Application for Authority to Dispose of State Records approved by the State Records Commission.

Each new Board member must complete the electronic Open Meetings Act (OMA) training curriculum no later than the 90<sup>th</sup> day after the member assumes responsibilities as a member of the Board, and file a copy of the certificate of completion with the SIAAB FOIA Coordinator (5 ILCS 120/1.05).

# Article III – Quality Assurance Review Program

## Section IV - Quality Assurance Reviews

### 3.4.1 CONDUCT OF REVIEWS

Both internal and external quality assurance reviews will be conducted pursuant to the evaluation standards and guidelines adopted by the SIAAB using the Board's Quality Assurance Matrix. Chief Internal Auditors must have a process in place for periodic internal and external quality assessments. The Board has established, ~~at its July 14, 2009 board meeting~~ that internal assessments must be completed whenever there is a significant change in personnel or auditing standards, as determined by the Chief Internal Auditor.

### 3.4.2 ESTABLISHMENT OF STANDARDS

On ~~November 14~~~~December 8~~, 201~~20~~<sup>29</sup>, the SIAAB adopted the changes to the IIA's \*International Standards for the Professional Practice of Internal Auditing (*Standards*) effective January 1, 201~~34~~<sup>31</sup>, as the auditing standards for Internal Audit Organizations in Illinois state government. Beginning January 1, 2002, State of Illinois Internal Audit Organizations are required by the Board to conduct an external quality assurance assessment or a self-assessment with independent external validation, at least once every five years by an independent reviewer or review team from outside the organization (IIA *Attribute Standard 1312*). The Chief Internal Auditor of each Internal Audit Organization is responsible for ensuring that the mandated external assessments are completed within the required timeframe. If an Internal Audit organization's quality assurance review will not be completed by the date it is required the Chief Internal Auditor must notify the Board of a later date when the review will be completed. The Board must approve all extensions of an Internal Audit Organization's quality assurance review period. The Quality Assurance Coordinator shall issue a letter to the Chief Executive Officer to whom the Chief Internal Auditor reports informing them that the Board has been notified that completion of the review will be delayed, the delayed completion date will result in the audit organization being out of compliance with Board requirements regarding quality assurance reviews and the new date when the review is expected to be completed.

Internal auditors may report that their activities are "conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*," without an explanatory statement, only if internal and external assessments of the quality improvement program demonstrate that the internal audit activity is in compliance with the Board's *Standards*. The IIA defines compliance as the conformity and adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements. Whenever internal or external assessments identify noncompliance with Standards and Code of Ethics adopted by the Board's Bylaws in Article II, Sections III and IV and/or the provisions of the *State of Illinois Fiscal Control and Internal Auditing Act*, audit organizations are required by the SIAAB to include an explanatory paragraph identifying the noncompliance and corrective action to be taken. The explanatory paragraph is required to be included in each report released by the Internal Audit Organization until a subsequent review has

been conducted by an external validator verifying that appropriate corrective action has been taken and approved by the Board.

### **3.4.3 REVIEW TEAMS**

Each Internal Audit Organization and Quality Assurance Review Team is required to follow SIAAB's external quality assurance methodology as outlined in these Bylaws. Before proceeding with the assessment, the Chief Internal Auditor must contact the Quality Assurance Coordinator to obtain the Board approval of the team by submitting the Request for Quality Assurance Team form with each team members' Statement of Independence and Confidentiality Commitment Forms. The CPE Coordinator will maintain a listing of individuals who have completed quality assurance review training and have expressed an interest in serving on a review team. Upon request, the Assistant Quality Assurance Coordinator will assist Chief Internal Auditors in recruiting volunteers for review teams. Chief Internal Auditors are responsible for ensuring their reviews are scheduled and completed in a timely manner.

The Board will review the request for approval to determine whether each review team member adequately possesses the qualifications, experience, independence and training established by the Board. Reciprocal quality assurance reviews between two Internal Audit Organizations shall not be performed and will not be approved by the Board. Upon the Board's approval, the Internal Audit Organization may enter into a contract with an external validator to conduct either a full external quality assurance assessment or serve as an independent external validator for a Self-Assessment with Independent Validation.

#### **Team Member Minimum Qualifications**

Qualifications and Experience of each team member:

- Requires a bachelor's degree with course work in auditing, business management, public administration, economics, computer science, accounting or other related subjects. Preferably with twelve semester hours in accounting.
- Requires four years of progressively responsible professional auditing experience and certification as a Certified Internal Auditor or Certified Public Accountant OR requires five years of progressively responsible professional auditing experience.
- Successfully completed the Board's most recently updated Online Quality Assurance Review Training Program, unless waived by the Board.
- Is in compliance with the SIAAB's continuing professional education requirements as set forth in Bylaw Paragraph 2.5.1.
- ~~May require a valid driver's license and ability to travel to remote sites.~~

At least one member of the review team must have some governmental experience or other industry specific experience.

### **3.4.4 EXTERNAL QUALITY ASSURANCE REVIEW REPORTS**

At the conclusion of the on-site review, the review team shall meet with the Chief Internal Auditor of the Internal Audit Organization in a pre-exit to discuss the preliminary results of the review.

Observations or suggestions for improvement in techniques used by the Internal Audit Organization, which are not compliance issues with the IIA, Standards and Code of Ethics adopted by the Board's Bylaws (Article Sections III and IV) and/or FCIAA should be brought to the Chief Internal Auditor's attention, and should not be included in the Internal Audit Department's External Quality Assurance report. The written report shall include the team leader and Chief Internal Auditor signatures and their written comments. The Internal Audit Department's Quality Assurance Report and Quality Assurance Matrix should be forwarded to the Assistant Quality Assurance Coordinator. These documents shall be reviewed by a Special Assistant and the Assistant Quality Assurance Coordinator using the Quality Assurance Coordination Checklist. The Assistant Quality Assurance Coordinator will make recommendation to the Quality Assurance Coordinator on whether the Board should accept or ~~decline to accept~~agree with the Internal Audit Department's Quality Assurance Report. After the Quality Assurance Coordinator reviews the Coordination Checklist and resolves any concerns / disagreements, the Quality Assurance Coordinator shall make a recommendation to the Board ~~regarding the to~~ acceptance / decline to accept~~agreement of~~ the Internal Audit Department's Quality Assurance Report. After the Board decides to accept or ~~decline acceptance of~~agree with the Report, the Quality Assurance Coordinator shall prepare, sign and issue SIAAB's Letter ~~of~~ Acceptance / Decline to Accept~~agreement for~~ each Internal Audit Department's Quality Assurance Report.

### **3.4.5 RESOLUTION OF DISPUTES**

An Internal Audit Organization not in concurrence with the results of their quality assurance review, if irresolvable at the review team / Assistant Quality Assurance Coordinator level, should proceed to the Quality Assurance Coordinator for resolution, and, if necessary, to the Board where resolution shall be final and binding.

### **3.4.6 DISTRIBUTION OF FINAL EXTERNAL QUALITY ASSURANCE REVIEW REPORTS**

All final Internal Audit Department's External Quality Assurance Review Reports shall also contain the written responses of the Internal Audit Organization. Only the Quality Assurance Coordinator has authority to issue the Board's Letter ~~of~~ Acceptance / Decline to Accept~~agreement for~~ each Internal Audit Department's External Quality Assurance Reports. Each letter must be signed by the Quality Assurance Coordinator and will be issued as follows:

- One copy to the Chief Executive Officer of the Internal Audit Organization;
- One copy to the Chief Internal Auditor of the Internal Audit Organization;
- One copy to the Quality Assurance Review Team Leader;
- One copy to be kept by the Quality Assurance Coordinator until completion of the next external quality assurance review; and
- One copy to the Board's Freedom of Information Officer.

### **3.4.7 FINAL DISPOSITION OF QUALITY ASSURANCE DOCUMENTS**

The Internal Audit Department's External Quality Assurance Report, Quality Assurance Matrix, and supporting work papers are exempt from the Freedom of Information Act as "materials prepared for or compiled with respect to internal audits of public bodies" (5 ILCS 140/7(a)(m)). As such, these documents shall not be released to anyone outside the external quality assurance review program

which includes the Quality Assurance Review Team, Special Assistants, and Board members. ~~After the Board's Letter of Acceptance / Disagreement for each Internal Audit Department's External Quality Assurance Report has been officially issued (See Section 3.4.6), the Internal Audit documents shall be returned to and remain the property of the Internal Audit Organization.~~ Internal Audit Organizations are responsible for retaining the official Board's Letter ~~toof~~ Acceptance / ~~Decline to Accept~~ isagreement, the Internal Audit Department's External Quality Assurance Report, ~~and~~ supporting workpapers and documents until completion of the next external quality assurance review.

For agencies subject to the State Records Act (5 ILCS 160), External Quality Assurance documentation should be retained until the completion of the next external quality assurance review but no less than 5 years.

If any unresolved dispute results in a binding and final decision by the SIAAB (See Section 3.4.5), the Assistant Quality Assurance Coordinator and FOIA Coordinator must retain a copy of the relevant documentation until the completion of the next external quality assurance review. This documentation is exempt from FOIA as "materials prepared for or compiled with respect to internal audits of public bodies" (5 ILCS 140/7(a)(m)).