

State of Illinois  
Internal Audit Advisory Board

**BYLAWS**

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**Approved: May 13, 2014**

# **Article I – Administrative Bylaws**

## **Section I – Name and Purpose**

### **1.1.1 NAME**

In accordance with the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/2005), the official name of the advisory board shall be the State's "Internal Audit Advisory Board" (SIAAB or Board).

### **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 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.

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:

- 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.

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## **Article I - Administrative Bylaws**

### **Section II - Membership**

#### **1.2.1 COMPOSITION**

The composition of the 11 member Board shall be in accordance with the Fiscal Control and Internal Auditing Act (FCIAA) and include:

1. The Chief Internal Auditor of the Department of Central Management Services;
2. The Chief Internal Auditor of the Office of the State Comptroller;
3. The Chief Internal Auditor of the Office of the Secretary of State;
4. The Chief Internal Auditor of the Office of the State Treasurer;
5. The Chief Internal Auditor of the Office of the Attorney General; and
6. Six Chief Internal Auditors appointed by the Governor, at least one of these must be Chief Internal Auditor of a State college or university or university governing board(30 ILCS 10/2005(a) and (b))

### **1.2.2 TERMS**

Each appointment by the Governor that is required by the Fiscal Control and Internal Auditing Act shall be made before February 1<sup>st</sup>. Each member appointed by the Governor shall serve for a three-year term. The Board may make a recommendation for Board appointment(s) to the Governor. Members will continue to serve until either reappointed or replaced by the Governor. (Relevant to FCIAA; 30 ILCS 10/2005(c))

A vacancy shall exist whenever a member dies, resigns, or ceases to be employed in the position that qualified the member to serve on the Board in accordance with FCIAA. If a member fails without just cause to attend three (3) or more consecutive Board meetings, with the approval of the Board, the Chair will notify the agency represented. Persons appointed to fill a vacancy shall serve the balance of the unexpired term. (Relevant to FCIAA; 30 ILCS 10/2005(d))

### **1.2.3 COMPENSATION**

Board members shall receive no additional compensation for their services, but shall be reimbursed by their employing agency for expenses necessarily incurred in the performance of their duties as Board members. (FCIAA; 30 ILCS 10/2005(e))

### **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).

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# **Article I - Administrative Bylaws**

## **Section III –Officers**

### **1.3.1 OFFICERS OF THE BOARD**

The Officers of the Board shall include the Chair, Vice Chair, and Immediate Past Chair.

### **1.3.2 ELECTION OF OFFICERS**

Nominations for Chair and Vice Chair shall be made by the Board, from within the Board's existing membership, at its January Board meeting. The Board shall elect the Chair and Vice Chair by majority vote at the February Board meeting. The newly elected Chair and Vice Chair shall begin serving their one-year terms immediately. (Relevant to FCIAA; 30 ILCS 10/2005(e))

If the Chair becomes unable to perform his/her duties or no longer holds a position that would allow him/her to continue to serve on the Board, the Vice Chair shall serve as the Acting Chair until the next Board meeting, at which time an election shall be held to fulfill the remainder of the Chair and Vice Chair's original term.

If the Chair and the Vice Chair become unable to perform their duties or no longer hold positions that would allow them to continue serving on the Board, the immediate Past Chair shall serve as the Acting Chair until the next Board meeting, at which time an election shall be held to fulfill the remainder of the original term.

If the immediate past chair becomes unable to perform their duties or no longer hold positions that allow them to continue serving on the Board, the previous past chair may serve in this capacity.

### **1.3.3 DUTIES OF OFFICERS**

The Chair shall preside at all meetings held by the Board, and shall perform such other duties as may be imposed by action of the Board or by its Bylaws. The Vice Chair shall serve in the absence of the Chair and shall perform such other duties as may be imposed by action of the Board or by its Bylaws. No member of the Board shall at any time act or purport to act on behalf of or in the name of the Internal Audit Advisory Board without prior authority from the Board.

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# **Article I - Administrative Bylaws**

## **Section IV - Coordinator Assignments**

### **1.4.1 ASSIGNMENT OF COORDINATORS**

To fulfill the duties of the Fiscal Control and Internal Auditing Act (30 ILCS 10/2005), the Board shall establish coordinators and assign their duties. Each Coordinator shall be an existing Board member selected by the Chair and approved by a majority of the Board during the March meeting. The Coordinator(s) shall report to the full Board and serve a one year term, but may be reappointed and serve until replaced. The Coordinator(s) shall create and maintain written procedures for their function. In addition to their specific duties described below, each coordinator shall also be responsible for ensuring the Board's website properly reflects any content related to their duties.

The Board shall also establish Special Assistant(s) and Webmaster positions as described below.

Other positions shall be appointed by the Chair whenever they are deemed necessary by the Board. These positions shall be restricted to their assigned task, shall report their recommendations to the Board, and shall be dissolved upon the completion and acceptance of their report by the Board.

### **1.4.2 QUALITY ASSURANCE COORDINATOR**

The Quality Assurance Coordinator is responsible for:

- interpreting all policies and procedures established by the State's Internal Audit Advisory Board related to quality assurance reviews;
- obtaining Board approval of Statement of Independence and Confidentiality Commitment Forms from each Board member at the March meeting or as changes occur;
- recruiting Quality Assurance Special Assistants and obtaining Board approval of their Statement of Independence and Confidentiality Commitment Forms at the March meeting or as needed throughout the year;
- obtaining Board approval for the Request for Quality Assurance Team form and each team members' Statement of Independence and Confidentiality Commitment Forms;
- signing and returning the approved Request for Quality Assurance Team form to the Chief Audit Executive;
- making recommendation to the Board regarding the acceptance / disagreement of the Internal Audit Department's Quality Assurance Report; and

- preparing, signing and issuing SIAAB Letter of Acceptance / Disagreement with each Internal Audit Department's Quality Assurance Report.

In addition, the Quality Assurance Coordinator may work with the Assistant Quality Assurance Coordinator to fulfill the following responsibilities:

- assisting the Chief Audit Executives upon request to recruit qualified volunteers for their review teams;
- providing technical assistance to review teams during the course of their reviews; and
- resolving any concerns / disagreements regarding the overall conclusion or attribute conclusions in the Internal Audit Department's Quality Assurance Report.

(Note: This Quality Assurance Coordinator position is instrumental in the Board's implementation of the peer review program (also referred to as the quality assurance review) required by FCIAA (30 ILCS 10/2005(f)(3)) and outlined in Article III of these Bylaws.

### **1.4.3 ASSISTANT QUALITY ASSURANCE COORDINATOR AND SPECIAL ASSISTANTS**

In consultation with the Quality Assurance Coordinator, the Assistant Quality Assurance Coordinator is responsible for:

- assisting Chief Audit Executives upon request to recruit qualified volunteers for their review teams;
- providing technical assistance to review teams during the course of their reviews;
- assigning Special Assistants and supervising the performance of technical reviews of Internal Audit Department's Quality Assurance Reports and necessary supporting documentation as outlined in the SIAAB Quality Assurance Coordination Checklist;
- making recommendation to the Board regarding the acceptance / rejection of the Internal Audit Department's Quality Assurance Report.
- working with the CPE Coordinator to coordinate the Board's quality assurance review training program.

(Note: The Assistant Quality Assurance Coordinator position is instrumental in the Board's implementation of the peer review program (also referred to as the quality assurance review) required by FCIAA (30 ILCS 10/2005(f)(3)) and outlined in Article III of these Bylaws.

The Special Assistant(s) shall be existing internal auditors of a State Audit Organization with at least three years of experience selected by the Chair and approved by a majority of the Board during the March meeting or as needed throughout the year.

The Special Assistant(s) shall be responsible for:

- performing administrative reviews of Internal Audit Department's Quality Assurance Reports and necessary supporting documentation; and
- making recommendation regarding the acceptance / rejection of the Internal Audit Department's Quality Assurance Report.

(Note: This Special Assistant position(s) is instrumental in the Board's implementation of the peer review program (also referred to as the quality assurance review) required by FCIAA (30 ILCS 10/2005(f)(3)) and outlined in Article III of these Bylaws.

#### **1.4.4 OTHER COORDINATORS**

The Conference Coordinator, in consultation with the Board Chair, is responsible for planning and administering a Board conference at least annually. All Board conferences will be subject to the Open Meetings Act and the Conference Coordinator is responsible for ensuring compliance with such Act. (Note: This Coordinator position is instrumental in the Board's implementation of training and peer review programs required by FCIAA. (30 ILCS 10/2005(f))

The CPE Coordinator, in consultation with the Board Chair, is responsible for administering the Online Quality Assurance Review training course to measure an individual's knowledge of professional standards adopted by the Board and the Fiscal Control and Internal Auditing Act. (Note: This Coordinator position is instrumental in the Board's implementation of standards, training, and peer review program as required by FCIAA. (30 ILCS 10/2005(f))

The SIAAB Guidance Coordinator, in consultation with the Board Chair, is responsible for monitoring changes to the Fiscal Control and Internal Auditing Act, standards and ethics of the Institute of Internal Auditors, the General Accounting Office, and other professional standards as applicable. In addition, the SIAAB Guidance Coordinator shall receive any requests for interpretation of the aforementioned. These shall be reviewed and evaluated by the SIAAB Guidance Coordinator who shall make a recommendation to the Board for consideration of the appropriate action to be taken in conformance with provisions one and two below. All decisions shall be posted on the SIAAB website in a manner that allows for their ready use by the State Internal Audit community.

1. Determine that current guidance or interpretations are clear enough that any individual making a request need only receive an official response from the Board that provides an explanation of the Board's position along with appropriate references to the existing guidance or interpretations. The official response that is to be sent to the person(s) making the request is decided upon by a majority vote of the Board. The response shall then be issued by the Chair on behalf of the Board. In the case of deciding whether to adopt a change that was made to existing industry guidance, the decision shall be made by a majority vote of the Board.

2. Determine that clarification or written guidance is necessary to ensure the requirement(s) are applied appropriately. The SIAAB Guidance Coordinator shall prepare an official “SIAAB Guidance Exposure Draft” for consideration by the Board for distribution to all State of Illinois Chief Internal Auditors. This allows the SIAAB to gain from the knowledge and expertise of all affected practitioners and therefore arrive at the best solution. The SIAAB Guidance Coordinator shall request a minimum 30 calendar day period of time for consideration of comments. This period may be extended either before or after the issuance of the “SIAAB Guidance Exposure Draft” upon majority vote of the Board. The Board shall review comments received from the State Internal Audit community and discuss and approve a final version of the guidance. The guidance constitutes the official position taken by the Board on internal audit related standards and practices. It should include all critical points and references to any documentation utilized in arriving at the decision for reference by State of Illinois Internal Auditors. The content of the final version of the guidance shall be at the sole discretion of the majority vote of the Board since they are charged with the responsibility for promulgating the standards that are to be followed by all State of Illinois Internal Auditors. Each individual SIAAB Guidance Position Statement shall be numbered sequentially and indicate the date of adoption by the Board, and also reflect the date of any subsequent amendment(s).

The SIAAB Guidance Coordinator shall also be responsible for seeking comment from State of Illinois Internal Auditors regarding any request from the Institute of Internal Auditors regarding possible changes to the IIA Standards and Practice Advisories or any other group seeking comment regarding Internal Audit activities that affect State of Illinois Internal Auditors. When determined appropriate by a majority vote of the Board, the SIAAB shall issue a collective comment regarding the change under signature of the Board.

The FOIA Coordinator (also known as FOIA Officer), in consultation with the Board Chair and the Assistant Freedom of Information Coordinator, is responsible for successfully completing the annual training provided by the Illinois Office of the Attorney General under the Freedom of Information Act and Open Meetings Act; receiving FOIA requests and responding in a timely manner; coordinating with other Board members to maintain the Board’s records in accordance with the State Records Act and all laws protecting the confidentiality of such records; and advising Board members of their duties under the Open Meetings Act. In addition, the FOIA Coordinator will be responsible for submitting the Records Disposal Certificate in accordance with the Board’s Application for Authority to Dispose of State Records approved by the State Records Commission (Note: The FOIA Coordinator position is instrumental in the Board’s implementation of the Open Meetings Act (5 ILCS 120), Freedom of Information Act (5 ILCS 140), State Records Act (5 ILCS 160), Identity Protection Act (5 ILCS 179) and Personal Information Protection Act (815 ILCS 530).)

The Assistant FOIA Coordinator (also known as Assistant FOIA Officer), in consultation with the Board Chair and Freedom of Information Coordinator, is responsible for successfully completing the annual training provided by the Illinois Office of the Attorney General under the Freedom of Information Act and Open Meetings Act, assisting the FOIA Coordinator in all duties and carrying out the FOIA Coordinator’s duties in their absence. (Note: The Assistant FOIA Coordinator position is instrumental in the Board’s implementation of the Open Meetings Act (5 ILCS 120), Freedom of Information Act (5 ILCS 140), State Records Act (5 ILCS 160), Identity Protection Act (5 ILCS 179) and Personal Information Protection Act (815 ILCS 530).)

The Webmaster shall be selected by the Chair and approved by a majority of the Board during the March meeting. The Webmaster shall serve a one year term, but may be reappointed and serve until replaced. In working with Board members, the Webmaster is responsible for maintaining the website content, coordinating the registration for the Online Quality Assurance Review training course, and notifying CPE Coordinator of the course results and forwarding “official” Board records to the FOIA Coordinator in a timely manner.

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## **Article I - Administrative Bylaws**

### **Section V - Conduct of Business**

#### **1.5.1 MEETINGS**

Meetings will be conducted in accordance with the Open Meeting Act (5 ILCS 120). The Board shall hold regular meetings on a monthly basis. A schedule of the dates, times, and places of such regular meetings shall be approved by the Board prior to the end of the calendar year for the following calendar year. The regular meeting schedule shall be posted on the Board’s website. If the Board approves a changed schedule, notice must be given at least 10 days prior to the next meeting by publication in a newspaper as required by the Open Meetings Act, posting at all meeting locations, and posting on the Board’s website (Relevant to Open Meetings Act; 5 ILCS 120/2.03).

Individual special, rescheduled, and reconvened meetings may be held as the Chair determines is necessary. The agenda, time and place for each such meeting shall be posted at all meeting location(s) and on the Board’s website as follows:

Regular Meeting	48 hours in advance
Special Meeting	48 hours in advance
Rescheduled Regular Meeting	48 hours in advance

Reconvened Meeting	48 hours in advance, unless reconvened within 24 hours, announced at regular meeting and the agenda is unchanged. If these three conditions are met, no additional notification required
Emergency Meeting	As soon as practicable

The requirement of a meeting agenda shall not preclude the consideration of items not specifically set forth in the agenda. (Relevant to Open Meeting Act; 5 ILCS 120/2.02(a))

### **1.5.2 PARLIAMENTARY PROCEDURES**

The Chair shall conduct the Board meetings in accordance with Robert's Rules of Order Revised, except as modified by the Board's Bylaws and shall be in accordance with the Open Meetings Act (5 ILCS 120) and any other applicable laws.

In accordance with the Open Meetings Act (5 ILCS 120/1.02), a majority of quorum of the Board members must be present to constitute a Board meeting. Since the Board is authorized by the Fiscal Control and Internal Auditing Act (30 ILCS 10/2005(f)) to take substantive actions and has statewide jurisdiction, the Board may count members "present" at multiple locations if: (1) advance notice is provided at all meeting locations, (2) meetings are held in public buildings with public access and (3) the meetings are linked with interactive video conference. A public building means any building or portion thereof owned or leased by any public body. (Implementation of statute 5 ILCS 120/2.01))

If a quorum of Board members is physically present, the Board may by majority vote allow a member to attend the meeting by other video or audio conference means if:

- the members notifies the Chair before the meeting unless advance notice is impractical and
- the member is prevented from physically attending because of (a) physical illness or disability; (b) employment purposes; or (c) family or other emergency. (Relevant to Open Meetings Act; 5 ILCS 120/7)

### **1.5.3 VOTES CONDUCTED BY THE BOARD**

Each member shall have only one vote. All voting conducted by the Board shall be verbal, unless a vote by show of hands or by secret ballot has been requested by any Board member. Approval of motions brought before the Board will be by simple majority of the voting members physically present at the meeting location or multiple locations if the conditions in Section 1.5.2 are met, with the exception of revisions to the By-Laws which will require two-thirds (2/3) majority of the voting members physically present.

A member of the Board may elect to delegate his/her voting right to a designee. If so elected, the member shall deliver written notification, either by letter or by email, to the Chair of the delegation of his/her voting right naming the designee, prior to the any meeting of the Board. Unless the Chair receives written notification, the designee shall not have voting rights at the Board's meeting.

#### **1.5.4 RECORDING OF MEETINGS**

The Board shall keep written minutes of all meetings which shall include:

- (1) date, time and place of the meeting;
- (2) members present or absent and whether members were physically present or present by means of video or audio conference; and
- (3) a summary of discussion on all matters proposed, deliberated, or decided and a record of any votes taken. (Implementation of statute (5 ILCS 120/2.06)

Draft minutes of each Board meeting shall be sent to each Board member and approved at the next scheduled Board meeting, whenever possible. The minutes shall be made available to the public within 10 days of the Board's approval by posting such minutes on the Board's website.

Any member of the public may record by tape, film or other means the proceedings of any open Board meeting so long as their taping of the meeting does not disrupt the meeting proceedings or disrupt the ability of other members of the public to view the meeting in any way. (Relevant to Open Meetings Act; 5 ILCS 120/2.05)

#### **1.5.5 CLOSED MEETINGS**

Any meeting or portion of a meeting may be closed to the public upon a majority vote of the quorum present and citation of the specific exception contained in the Open Meetings Act (5 ILCS 120/2(c)). The discussion and the vote to close the meeting must be conducted in the open meeting. Closed meetings must be recorded verbatim in audio or video form. The closed meeting minutes must be prepared in the same manner as an open meeting except the discussion and approval of such minutes can be held in a closed meeting as provided in Section 2(c)(21) of the Open Meetings Act. The resulting approval of the minutes shall be reported in an open meeting.

At each March and September meeting, if necessary, the Board shall hold a closed meeting to review whether all prior closed meeting recording(s) and written minute(s) will be kept closed or can be opened to the public. The results of this determination shall be reported in an open meeting. (Implementation of statute 5 ILCS 120/2(c)(21) and 120/2.06(d))

With Board approval by a majority vote, the verbatim recording(s) may be destroyed 18 months after the closed meeting minutes have been approved. In accordance with the Open Meetings Act (5 ILC 120/2.06(c)) and the State Records Act (5 ILC 160), such

verbatim recording(s) do not require State Records Commission approval for destruction after this 18 month period.

### **1.5.6 PUBLIC COMMENT AT BOARD MEETINGS**

#### **Procedures Governing Public Participation at State Internal Audit Advisory Board (SIAAB) meetings**

Each SIAAB meeting will include an agenda item for public participation to provide an opportunity for members of the public to present to SIAAB their comments and recommendations on State Internal Audit relevant issues.

Individuals wishing to address the Board are requested to sign in on the Public Participation Sheet prior to the time of Public Participation listed on the Board's agenda.

The total time devoted to public participation will be a maximum of thirty minutes per meeting. An individual speaker will be permitted to address SIAAB for a maximum of ten minutes. Should more than three individuals wish to address SIAAB during a meeting, the time allocated to each individual shall be reduced to a minimum of five minutes. Thus, a maximum of six individuals will be able to address SIAAB during a meeting. A timekeeper shall ensure that each speaker adheres to the stated time limitations. The Board, by majority vote, may adjust the time allowed for public comment.

Speakers will address SIAAB in the order of their sign-in on the Public Participation Sheet. Copies of speakers' comments, questions, and/or other written materials for distribution to the SIAAB will be accepted. Responses to questions will be provided by SIAAB within a reasonable amount of time.

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## **Article II - Standards**

### **Section I – Authority**

#### **2.1.1 AUTHORITY**

These standards are promulgated under authority of the Fiscal Control and Internal Auditing Act (30 ILCS 10/2005(f)).

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## **Article II - Standards**

### **Section II - Applicability**

#### **2.2.1 APPLICABILITY**

These standards apply to all state agencies designated in Section 1003 (a) of the Fiscal Control and Internal Auditing Act (30 ILCS 10/1001 et. seq.).

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## **Article II - Standards**

### **Section III - Professional Auditing Standards**

#### **2.3.1 PROFESSIONAL AUDITING STANDARDS**

All audits performed by the internal audit staffs of State agencies shall be conducted in accordance with Standards adopted by the Board as provided by FCIAA. (10 ILCS 30/2005(f)(1)). These Standards shall be summarized in the Quality Assurance Matrix on the Board's website and shall include the:

- *"International Standards for the Professional Practice of Internal Auditing"* published by the Institute of Internal Auditors;
- Definition of Internal Auditing published by the Institute of Internal Auditors;
- some practice advisories published by the Institute of Internal Auditors and adopted by the Board;
- some government auditing standards published by the U.S. General Accounting Office and adopted by the Board;
- internal audit requirements contained in the Board's Bylaws; and
- requirements of the Fiscal Control and Internal Auditing Act.

In addition, internal audit staff of State agencies may be required by federal grant provisions to comply with government auditing standards published by the U.S. General Accounting Office. All audit reports issued by internal audit staffs of State agencies shall include a statement that the audit was conducted pursuant to the appropriate standards.

## **Article II - Standards**

### **Section IV - Code of Ethics**

#### **2.4.1 CODE OF ETHICS**

All State internal auditors shall adhere to the following standards of conduct which are derived from the *Code of Ethics* published by the Institute of Internal Auditors.

A code of ethics is necessary and appropriate for the professional practice of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control processes. The *Code of Ethics* includes two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behavior norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

#### **PRINCIPLES**

Internal auditors are expected to apply and uphold the following principles:

##### **Integrity**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

##### **Objectivity**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

##### **Confidentiality**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

##### **Competency**

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.

## **Rules of Conduct**

### 1. Integrity

Internal auditors:

- 1.1 Shall perform their work with honesty, diligence, and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organization.

### 2. Objectivity

Internal auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

### 3. Confidentiality

Internal auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

### 4. Competency

Internal auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2 Shall perform internal auditing services in accordance with the *\*International Standards for the Professional Practice of Internal Auditing*.
- 4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

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## **Article II - Standards**

### **Section V - Continuing Education Requirements**

#### **2.5.1 CONTINUING PROFESSIONAL EDUCATION**

Internal auditors are responsible for maintaining their knowledge and skills. They should update their knowledge and skills related to improvements and current developments in internal auditing standards, procedures, and techniques. Auditors involved in the planning, directing, performing fieldwork or reporting on an audit or attestation engagement need to maintain their professional competence through continuing professional education (CPE). All internal auditors must complete a minimum of 80 hours of CPE that directly enhance the auditor's professional proficiency to perform audits or attestation engagements whether employed full-time or part-time. At least 24 of the 80 hours of CPE should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 hours of the 80 should be completed in any one year of the two year period.

Both the 80 hours of CPE and 24 hours of CPE directly related to government auditing must be satisfied during two successive (non-rolling) calendar years such as, 2009-2010 or 2011-2012. Internal auditors hired after the beginning of an audit organization's 2-year CPE period should complete a prorated number of CPE hours based on the number of full 6-month interval remaining in the CPE period.

Example for the 80 hours of CPE using the Calendar Year 2009-2010 CPE Period:

1. Auditors hired during January 1, 2009 through June 30, 2009 would need to obtain 60 CPE hours ( $3/4 \times 80=60$ )
2. Auditors hired during July 1, 2009 through December 31, 2009 would need to obtain 40 CPE hours ( $2/4 \times 80=40$ )
3. Auditors hired during January 1, 2010 through June 30, 2010 would need to obtain 20 CPE hours ( $1/4 \times 80=20$ )

- Auditors hired during July 1, 2010 through December 31, 2010 would be exempt from the 2009-2010 CPE requirements.

Examples for the 24 hours of CPE directly related to government using the Calendar Year 2009-2010 CPE Period:

- Auditors hired during January 1, 2009 through June 30, 2009 would need to obtain CPE hours ( $3/4 \times 24=18$ )
- Auditors hired during July 1, 2009 through December 31, 2009 would need to obtain 12 CPE hours ( $2/4 \times 24=12$ )
- Auditors hired during January 1, 2010 through June 30, 2010 would need to obtain 6 CPE hours ( $1/4 \times 24=6$ )
- Auditors hired during July 1, 2010 through December 31, 2010 would be exempt from the 2009-2010 CPE requirements.

Auditors required to take the total 80 hours of CPE should complete at least 20 hours of CPE in each year of the 2-year period. The 20-hour minimum for each CPE year would not apply when a prorated number of hours are being used to cover a partial 2-year CPE period.

An Agency's Chief Internal Auditor is responsible for establishing and implementing a program to ensure that staff auditors meet the CPE requirements. In cases where a portion of the internal audit services are contracted out, the Chief Internal Auditor must ensure that individuals assigned to such internal audit services have obtained the appropriate continuing professional education.

The Internal Audit Advisory Board, upon written request to the CPE Coordinator, may grant exceptions from a portion of the CPE requirements in the event of extended absences or other extenuating circumstances if situations such as leave of absences, military service, or disasters prevent the internal auditor from meeting the requirements. However, no exceptions will be granted for reasons such as workload, budget, or travel constraints.

The Board may grant auditors, who have not completed the required number of CPE hours for any 2-year period, up to two months immediately following the 2-year period to make up the deficiency. Any CPE hours completed toward a deficiency in one period should be documented in the CPE records and should not be counted toward the requirements for the next 2-year period.

## **2.5.2 QUALIFYING CPE ACTIVITIES**

The Internal Audit Advisory Board, upon written request to the Board's CPE Coordinator, will issue interpretations of what CPE activities qualify as acceptable.

A specific program or activity qualifies as acceptable CPE if it directly enhances the auditor's professional proficiency to perform audits and/or attestation engagements.

Additionally, the CPE Sponsor must either be registered as a CPE Sponsor with the Illinois Department of Professional Regulation or the National Association of State Boards of Accountancy (NASBA) National Registry.

The following programs and activities qualify for CPE hours, provided they are in subjects or topics that qualify as discussed in the "Subjects and Topics that Qualify Section" immediately following this section:

- a. Group programs including:
  1. Internal training programs (e.g., courses, seminars, and workshops);
  2. Education and development programs presented at conferences, conventions, meetings, seminars, and meetings or workshops of professional organizations;
  3. Training programs presented by other audit organizations, educational organizations, foundations, and associations;
  4. Web-based seminars and structure programs of study;
  5. Audio conferences;
  6. Accredited university and college courses - credit and noncredit. (Each unit of college credit under a semester system equals 15 CPE hours, and each unit of college credit under a quarter system equals 10 CPE hours. For university or college noncredit courses, CPE hours may be granted only for the actual classroom time);
  7. Audit organization staff meetings when a structured educational program with learning objectives is presented (e.g., that portion of the meeting where a structured educational program is used to teach auditors about how auditing standards apply to their work or topics related to the government environment);

For group programs, participants should receive CPE hours only for the actual time they attend the program. Preparation time for students participating in a CPE program should only be counted if the CPE provider has designated a portion of the CPE program as individual study.

- b. Auditing and accounting.
  1. Web-based courses;
  2. Correspondence courses, individual-study guides, and workbooks;
  3. Courses given through Internet web-casts, televised presentations, DVD, CD-ROM, audio cassette tapes, videotapes, and computer programs;

For individual study programs where successful completion is measured by a summary examination, participants must complete the examination with a minimum passing grade of at least 70 percent before receiving CPE credit for the course. Participants in other individual-study programs should be granted CPE hours when they satisfactorily complete the requirements of the self-study

program. The number of hours granted should be based on the CPE provider's recommended number of CPE hours for the program.

- c. Other professional activities, subject to limitations as specified:
1. Serving as speaker, panelist, instructor, or discussion leader at programs that qualify for CPE hours. (One CPE hour should be granted for each 50 minutes of presentation time where the subjects matters contributes directly to their professional proficiency to perform audits or attestation engagements, including subjects directly applicable to government auditing, the government environment, or the specific or unique environment in which audited entities operate with a maximum of 40 hours per 2-year period);
  2. Developing courses or the course material for programs that qualify for CPE hours. (Up to 2 CPE hours may be granted for the developing, writing, or advance preparation for each 50 minutes of the presentation where the subjects matters contributes directly to their professional proficiency to perform audits or attestation engagements, including subjects directly applicable to government auditing, the government environment, or the specific or unique environment in which audited entities operate with a maximum of 40 hours per 2-year period); or
  3. Publishing articles and books that contribute directly to the author's professional proficiency to perform audits or attestation engagements. (One CPE hour should be earned for each hour devoted to writing articles, books, or materials that are published with a maximum of 20 hours per 2-year period.)
  4. Professional examinations that are successfully completed will qualify for CPE as defined by the rules of the professional organization (IIA, ISACA, ACFE, AICPA, etc.)

### **Subjects and Topics that Qualify:**

#### **Directly Related to Government Environment CPE Requirement:**

1. Subjects and topics directly related to the government environment may include but are not limited to the following:
  - Economic conditions, fiscal trends, and pressures facing the government entity;
  - Appropriations, accounting, budgeting, financial management, procurement, contracting, and financial reporting in government;
  - Partnerships between governments, businesses, and citizens;
  - Government ethics and independence;
  - Government program management;
  - Government financial management issues, such as debt collection, credit management, cash management, grant management, etc.;
  - Legislative polices and procedures;

- Relevant laws and regulations affecting government programs and the administrative aspects of those programs;
  - Compliance with laws and regulations;
  - Fraud, waste, abuse, or improper payments affecting government entities;
  - Evolving issues of homeland security and safety of citizens;
  - Measuring and reporting the results of government programs;
  - Assessing trends among the population of citizens receiving government services;
  - Risk assessment and risk management for the government entity;
  - Global trends affecting the government environment;
  - Opportunities and challenges presented to the government by advances in science and technology;
  - Information technology developments and applications that affect or could affect the government entity or program; and
  - Government transformation issues dealing with evaluating the role of government programs in the future and related to techniques for restructuring government entities, including streamlining operations, improving organizational efficiency, or outsourcing or privatizing certain functions or activities.
2. Subjects and topics directly related to standards, laws or regulation used in government auditing.
  3. Subjects and topics directly related to the specific or unique environment of the entity under audit may include but are not limited to the following:
    - Economic, operating, technical, or regulatory developments in the specialized area in which the audited entity operates;
    - Current risks or major changes affecting the government environment;
    - Current fiscal trends and other developments affecting the entity or the government environment; and
    - Relevant laws and regulations.

**Satisfy Remaining CPE Requirement:**

CPE that would satisfy the remainder of the 80-hour requirement should be in subjects and topics that directly enhance the auditor's professional proficiency to perform audits or attestation engagement but may not qualify as government-related as described above. Examples of such subjects and topics include but are not limited to the following:

- Accounting principles and standards;
- Acquisitions management;
- Actuarial techniques and analysis;
- Asset management;
- Assessment and evaluation methodologies;
- Audit methodologies, including those developed by audit organizations;
- Audit risk and materiality;

- Audit standards;
- Audit documentation preparation and review techniques and tools;
- Budgeting;
- Cash management;
- Compilation and review of financial statements;
- Computer security, including general and application controls;
- Contracting and procurement;
- Corporate governance;
- Cost accounting;
- Current industry risks;
- Data analysis;
- Economics;
- Enterprise risk management;
- Ethics and independence;
- Evaluation design;
- Environment in which the audited entity operates;
- Finance;
- Financial analysis;
- Financial management;
- Financial reporting;
- Financial statement analysis;
- Forecast and projections;
- Forensic auditing;
- Fraud, waste, abuse, improper payments;
- Human capital management;
- Information systems management;
- Information technology;
- Internal control;
- Internal control assessment;
- Interviewing techniques;
- Management and leadership;
- Operations research;
- Oral communications;
- Organizational change management;
- Pension and other employee benefits accounting;
- Performance results, measurement and management;
- Principles of management, supervision, and leadership;
- Program evaluation;
- Project management;
- Public finance;
- Public policy and administration;
- Quality control;
- Research methods;
- Sampling methods;
- Social and political sciences;
- Software applications used in conducting audits and attestation engagements;

- Statistical techniques and analysis;
- Taxation, but only when applicable to the subject matter of an audit or attestation engagement; and
- Writing.

**Subjects and Topics that Do Not Qualify:**

Examples of programs and activities or subjects and topics that do not qualify for CPE hours include but are not limited to the following:

- a. On-the-job training;
- b. Basic or elementary courses in subjects and topics in which the auditor already has the knowledge and skills being taught;
- c. Programs that are designed for general personal development, such as resume writing, improving parent-child relations, personal investments and money management, and retirement planning;
- d. Programs that demonstrate office equipment or software that is not used in conducting audits or attestation engagements;
- e. Programs that provide training on the audit organization's administrative operations;
- f. Business sessions at professional organizations, conferences, conventions, and meetings;
- g. Preparation and presentation time for repeated presentations on the same subject matter within the 2-year period unless it can be demonstrated that the content was changed or adapted such that additional study or research was needed prior to presenting the course; and
- h. Conducting external quality assurance reviews.

**2.5.3 RECORDING CPE ACTIVITIES**

The Chief Internal Auditors are responsible for maintaining documentation of the CPE hours completed by each auditor subject to CPE requirements. The audit organization's records, which may be kept electronically as appropriate, should include the following information for each CPE program or activity attended or completed by an auditor:

1. The name of the organization providing the CPE;
2. The title of the training program, including the subject matter or field of study;
3. The dates attended for group programs or dates completed for individual study programs;
4. The number of CPE hours earned toward the 80-hour and 24-hour requirements;
5. A certificate or other evidence of completion from the CPE provider for group and individual-study programs;
6. Documentation of CPE courses presented and/or copies of course materials developed by or for speakers, instructors, or discussion leaders, along with a written statement supporting the number of CPE hours claimed; and

7. Copy of the published book, article, or materials that names the writer as author or contributor, a written statement from the writer supporting the number of CPE hours claimed, and the name and contact information of the publisher, if applicable.

Required records for CPE participation shall be maintained by the Chief Internal Auditor for at least five years.

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## **Article III – Quality Assurance Review Program**

### **Section I – Introduction**

#### **3.1.1 BYLAW AUTHORITY**

These Bylaws constitute the authority for and policy governing a Quality Assurance Review Program (also referred to as Peer Review Program) applicable to all State of Illinois government internal audit organizations. This Program is administered by the State Internal Audit Advisory Board in conformance with the State's Fiscal Control and Internal Auditing Act (30 ILCS 10/2005(f)(3)).

#### **3.1.2 DEFINITIONS**

When used in these Bylaws, the following words and phrases have the following definitions:

Assistant Quality Assurance Coordinator is a Board member who is assigned duties as outlined in Paragraph 1.4.3 of these Bylaws.

Board is the State's Internal Audit Advisory Board established under the Fiscal Control and Internal Auditing Act (30 ILCS 10/2005).

Coordinator(s) are the Board members who are assigned duties as outlined in Article I Section IV of these Bylaws.

CPE Coordinator is a Board member who is assigned duties as outlined in Paragraph 1.4.4 of these Bylaws.

FCIAA is the Fiscal Control and Internal Auditing Act (30 ILCS 10/1001 et.seq).

Internal Audit Organization is an internal audit unit within an agency (as defined in the Fiscal Control and Internal Auditing Act (30 ILCS 10/1003(a))) of Illinois State Government.

Program is the evaluation and assessment program, developed by the State's Internal Audit Advisory Board for conducting quality assurance reviews of State internal audit units.

Quality Assurance Coordination Checklist is a document to be used by the Special Assistants and the Assistant Quality Assurance Coordinator to determine the Quality Assurance Review Team completed the quality assurance review and reported the results in a manner consistent with the Board's requirements.

Quality Assurance Coordinator is a Board member who is assigned duties as outlined in Paragraph 1.4.2 of these Bylaws.

Quality Assurance Matrix is a tool developed by the Board and is to be used by Internal Audit Departments and their Quality Assurance Review Teams to conduct the Quality Assurance Review.

Quality Assurance Report is the document prepared by the Internal Audit Organization and Quality Assurance Review Team to report on quality, conformance, and compliance of an Internal Audit Organization resulting from a quality assurance review.

Quality Assurance Review is an independent, external quality assurance assessment or a self-assessment with independent external validation of the quality and performance of an Internal Audit Organization's conformance with the Standards and Code of Ethics adopted by the Board's Bylaws in Article II, Sections III and IV.

Quality Assurance Review Team is the team of qualified internal audit professionals assembled by the Chief Internal Auditor of the Internal Audit Organization being reviewed and presented by the Quality Assurance Coordinator for Board approval prior to carrying out a particular quality assurance review assignment.

SIAAB is State's Internal Audit Advisory Board.

Special Assistant is an individual who is assigned duties as outlined in Paragraph 1.4.3 of these Bylaws.

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## **Article III – Quality Assurance Review Program**

### **Section II - Organization**

#### **3.2.1 PROGRAM GOVERNANCE**

The State's Quality Assurance Review Program shall be governed by the SIAAB and administered by the Quality Assurance Coordinator and Assistant Quality Assurance Coordinator in accordance with these Bylaws.

#### **3.2.2 PURPOSE**

The purpose of the Program is to develop and maintain an objective and independent assessment that will enable Internal Audit Organizations to improve the quality of their internal audit functions. Such assessment should specifically determine whether:

1. The Internal Audit Organization is operating in compliance with applicable provisions of FCIAA and in conformance with the Standards and Code of Ethics adopted by the Board's Bylaws in Article II, Sections III and IV.
2. The Internal Audit Organization's internal quality assurance system is in place and operating effectively.

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## **Article III – Quality Assurance Review Program**

### **Section III - Quality Assurance Review Coordinators**

#### **3.3.1 COORDINATOR STRUCTURE**

The positions of Quality Assurance Coordinator and Assistant Quality Assurance Coordinator are created under Article I Section IV of these Bylaws.

#### **3.3.2 GENERAL POWERS**

Pursuant to these Bylaws and any applicable directives of the SIAAB, the Quality Assurance Coordinator and Assistant Quality Assurance Coordinator shall have the following powers:

1. To administer the activities of the Quality Assurance Review program;
2. To recommend to the SIAAB modifications to the evaluation standards, guidelines, evaluation criteria and requirements for assessments of Internal Audit Organizations; and
3. To make procedural decisions affecting the Quality Assurance Review Program which are consistent with the Bylaws and/or directives of the SIAAB.

### **3.3.3 GENERAL DUTIES**

Pursuant to these Bylaws and any applicable directives of the SIAAB, the Quality Assurance Coordinator and Assistant Quality Assurance Coordinator shall have the duties outlined in Article I, Section IV.

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## **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 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, 2012, the SIAAB adopted the changes to the IIA's \*International Standards for the Professional Practice of Internal Auditing (*Standards*) effective January 1, 2013, 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 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.

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 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 to accept / decline to accept the Internal Audit Department's Quality Assurance Report. After the Board decides to accept or decline acceptance of the Report, the Quality Assurance Coordinator shall prepare, sign and issue SIAAB's Letter to Accept / Decline to Accept 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 to Accept / Decline to Accept 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. Internal Audit Organizations are responsible for retaining the official Board's Letter to Accept / Decline to Accept, the Internal Audit Department's External Quality Assurance Report, 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)).

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## **Article IV - Amendments**

These Bylaws, except those quoted from the enabling statute, may be amended by two-thirds (2/3) majority vote at any regular or special meeting of the Board.

Originally adopted by the SIAAB on December 10, 2003 and amended as follows:

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Article I - Section 4.2 Performance Committee amended by SIAAB on October 13, 2004.

Article I - Section IV Committees 4.2 Performance Committee was amended by the SIAAB on December 14, 2005 to add "at least" to the number of members on the Performance Committee in order to have additional reviewers for Quality assurance Review workpapers

Article I - Section IV Committees, 4.2 Performance Committee, was amended by the SIAAB on September 10, 2008 to state that the Performance Committee shall be comprised of the Board's Vice Chair and may include volunteers selected by the Board's Chair and approved by the Board.

Article I - Section IV Committees 4.2 - Performance Committee was amended by the SIAAB on December 9, 2009 to clarify that the Board's Vice Chair is responsible for oversight of the Performance Committee; and the CPE Coordinator also serves on the Performance Committee and is responsible for coordinating the Board's Quality assurance review training program.

Article I - Section IV Committee Quorum Requirements - was amended by the SIAAB on December 9, 2009 to clarify that whenever there is a real or apparent conflict and/or lack of quorum to transact business, the Chair of the Executive and/or Performance Committee may either forgo meeting until a quorum is present or bring the business before the Board, (if the Board has a quorum present) so that further action can be taken.

Article II - Section 5.1 Continuing Professional Education was amended by SIAAB on November 10, 2004.

Article II - Section 5.1 Continuing Professional Education was amended by SIAAB on October 10, 2007 to incorporate the GAO's Continuing Professional Education Requirements.

Article II - Section 5.1 Continuing Professional Education was amended by SIAAB on January 13, 2010 to clarify that internal auditors hired after the beginning of an audit organization's 2-year CPE period should also prorate the 24 CPE hours directly related to

government auditing based on the number of full 6-month intervals remaining in the CPE period.

Article II - Section 5.1 Continuing Professional Education was amended by SIAAB on February 10, 2010 to clarify that all internal auditors must complete a minimum of 80 hours of CPE that directly enhance the auditor's professional proficiency to perform audits or attestation engagements whether employed full-time or part-time.

Article III - Section 4.2 Peer Review was amended by the SIAAB on March 9, 2005 to incorporate the approved use of self-assessment with independent external validation; to clarify the request for extension of a peer review period, and to provide further guidance on the use of "conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*."

Article III - Section 4.2 Peer Review was amended by the SIAAB on November 15, 2006 to require agencies with noncompliance issues to continue using an explanatory paragraph in reports until subsequent reviews are conducted by an external validator to verify appropriate corrective action has been taken and such reviews have been approved by the Board. Agency should not expect the Office of the Auditor General to conduct the subsequent reviews.

Article III - Section 4.3 Review Teams - Team Member Minimum Qualifications - Item #2 Peer Review Training was amended by SIAAB on April 19, 2006 to require team members to have successfully completed the most recently updated training program, approved or provided by the SIAAB.

Article IV - Section V Amendments was changed by the SIAAB on January 11, 2006 by changing the heading from Section V Amendments to Article IV - Amendments.

A periodic and comprehensive review of the SIAAB's Bylaws was initiated at the July 14, 2009 Board meeting and approved by the Board at its November 6, 2009 meeting. The revision impacted multiple Articles and Sections resulting in the "peer review" language being replaced with current "quality assurance" language. Additional clerical and technical changes were made to the Bylaws to clarify changes in officers, professional auditing standards and statutory mandates that had occurred since the initial adoption of the SIAAB Bylaws in 2003.

The Bylaws were amended August 11, 2010 to incorporate various changes to the Freedom of Information Act and the Open Meetings Act; structural changes from Committees to Coordinators; and some editorial changes.

The Bylaws were amended January 12, 2011 as follows: Article I – Section 3.2 Election of Officers – A space was added to separate the third and fourth paragraphs of this section; Article I – Section 4.2 Quality Assurance Coordinator – Second Bullet was amended to add "or as changes occur" at the end of the sentence; Article I – Section 5.1 Meetings – second sentence was amended to read, "...shall be approved by the Board

*prior to the end of the calendar year for the following calendar year.”; Article I – Section 5.4 Recording of Meetings – The number of days for publishing minutes was changed to 10 days; Article III – Section 1.2 Definitions – Definition number 11 was amended to include the word “conformance” ‘...to report quality, conformance, and compliance...’, and definition number 12 was amended to replace the word “compliance” with “conformance”; Article III – Section 2.2 Purpose – Item #1 was amended to include “...FCIAA and in conformance with the Standards...”; Article III – Section 4.2 Establishment of Standards – First sentence was amended to read, “On December 8, 2010, the SIAAB adopted the changes to the IIA’s \*International Standards for the Professional Practice of Internal Auditing (Standards) effective January 1, 2011.”; Article III – Section 4.3 Review Teams – Third paragraph was deleted; Article III – Section 4.4 External Quality Assurance Review Reports – First paragraph – Fourth sentence was amended to read, “The Internal Audit Department’s Quality Assurance Report and Quality Assurance Matrix should be forwarded to the Assistant Quality Assurance Coordinator.”; Article III – Section 4.5 Resolution of Disputes – Second paragraph was deleted; Article III – Section 4.7 Final Disposition of Quality Assurance Documents – First paragraph – First sentence was amended to delete “Summary Memo”; Article III – Section 4.7 Final Disposition of Quality Assurance Documents – Second paragraph was amended to delete the following statement, “included in the agency’s Application for Authority to Dispose of State Records and”.*

Article II – 2.5.1 Continuing Education Requirements were amended by SIAAB on February 9, 2011 to clarify that when portions of the internal audit services are contracted out, the Chief Internal Auditor must ensure that individuals assigned to such internal audit services have obtained the appropriate continuing professional education.

Article I - Section 1.44 Other Coordinators was amended by SIAAB on March 9, 2011 to establish the SIAAB Guidance Coordinator’s position which is responsible for monitoring changes to applicable professional standards, receive request for interpretations and guidance, and seeking comment from State of Illinois Chief Internal Auditors.

Article I, Section V – Conduct of Business – Added new section 1.5.6 – Public Comment at Board Meetings. New addition to the Bylaws approved by SIAAB on December 14, 2011.

Article II, Section V – Continuing Education Requirements – 2.5.2 Qualifying CPE Activities, was amended by SIAAB on August 8, 2012 to add Item #4 under subsection “c” regarding successfully completed professional examinations and to delete the last paragraph of this section.

Article II, Section V – Continuing Education Requirements – 2.5.2 Qualifying CPE Activities, Section on Subjects and Topics that Do Not Qualify was amended by SIAAB on August 8, 2012 to delete Item “i”.

Article I, Section I – Name and Purpose – 1.1.2 Purpose – Added items related to Board’s fulfillment of statutory missions: 1) Promulgate a uniform set of professional standards and a code of ethics to which all State internal auditors must adhere, 2) Serve as a clearinghouse for the correlation of internal audit training needs and training designed to meet those needs, and 3) Coordinate quality assurance review activities among the State’s internal audit units.

Article I, Section II – Membership – 1.2.4 General Responsibilities – Added new paragraph, “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, Section IV – Quality Assurance Reviews – 3.4.1 Conduct of Reviews – Last sentence was amended to read, “*The Board has established that internal assessments must be completed whenever there is a significant change in personnel or auditing standards, as determined by the Chief Internal Auditor.*”

Article III, Section IV – Quality Assurance Reviews – 3.4.2 Establishment of Standards – First sentence was amended to read, “*On November 14, 2012, the SIAAB adopted the changes to the IIA’s \*International Standards for the Professional Practice of Internal Auditing (Standards) effective January 1, 2013, as the...*”; and last sentence was amended to read, “*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 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.*”

Article III, Section IV – Quality Assurance Reviews – 3.4.3 Review Teams – Team Member Minimum Qualifications – Third bullet was amended to add, “*..., unless waived by the Board.*”; and Fourth bullet was amended to read, “*Is in compliance with the SIAAB’s continuing professional education requirements as set forth in Bylaw Paragraph 2.5.1.*”

Article III, Section IV – Quality Assurance Reviews – 3.4.4 External Quality Assurance Review Reports – Second sentence was amended to correct, “*IIA*”; Last two sentences were amended to read, “*The Assistant Quality Assurance Coordinator will make recommendation to the Quality Assurance Coordinator on whether the Board should accept or decline to accept 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 to accept / decline to accept the Internal Audit Department’s Quality Assurance Report. After the Board decides to accept or decline*

*acceptance of the Report, the Quality Assurance Coordinator shall prepare, sign and issue SIAAB's Letter to Accept / Decline to Accept each Internal Audit Department's Quality Assurance Report."*

Article III, Section IV – Quality Assurance Reviews – 3.4.6 Distribution of Final External Quality Assurance Review Reports – Second sentence was amended to read, *"Only the Quality Assurance Coordinator has authority to issue the Board's Letter to Accept / Decline to Accept each Internal Audit Department's External Quality Assurance Reports"*

Article III, Section IV – Quality Assurance Reviews – 3.4.7 Final Disposition of Quality Assurance Documents – Last sentence was amended to read, *"Internal Audit Organizations are responsible for retaining the official Board's Letter to Accept / Decline to Accept, the Internal Audit Department's External Quality Assurance Report, supporting workpapers, and documents until completion of the next external quality assurance review."*

Article II, Section V – Continuing Education Requirements - 2.5.2 Qualifying CPE Activities – Added the following sentence at the end of second paragraph, *"Additionally, the CPE Sponsor must either be registered as a CPE Sponsor with the Illinois Department of Professional Regulation or the National Association of State Boards of Accountancy (NASBA) National Registry."*

Article I, Section IV – Coordinator Assignments – 1.4.3 Assistant Quality Assurance Coordinator and Special Assistants – Updated language regarding QAR Coordinator Special Assistant(s) selection and responsibilities.

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