

SIAAB Glossary of Terms

Adopted January 7, 2025

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

Agency- The Illinois Administrative Procedures Act (5 ILCS 100 Section 1-20) states, “‘Agency’ means each officer, board, commission, and agency created by the Constitution, whether in the executive, legislative, or judicial branch of State government, but other than the circuit court; each officer, department, board, commission, agency, institution, authority, university, and body politic and corporate of the State; each administrative unit or corporate outgrowth of the State government that is created by or pursuant to statute, other than units of local government and their officers, school districts, and boards of election commissioners; and each administrative unit or corporate outgrowth of the above and as may be created by executive order of the Governor.”

Agency Head- The Illinois Administrative Procedures Act (5 ILCS 100 Section 1-25) states, “‘Agency head’ means an individual or group of individuals in whom the ultimate legal authority of an agency is vested by any provision of law.”

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

Assurance – Statement intended to increase the level of stakeholders’ confidence about an organization’s governance, risk management and control processes over an issue, condition, subject matter, or activity under review when compared to established criteria.

Assurance Services- Services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational or performance, and technology engagements. Internal Auditors may provide limited or reasonable assurance, depending on the nature, timing and extent of procedures performed.

Audit Universe or Auditable Units- An “Audit Universe” or “Auditable Units” are internal audit industry terms that refer to a compilation of the activities responsibilities, processes and programs of the various business units, departments and groups of the organization. They are an inventory of the activities or functions of the agency that should be given consideration during the risk assessment process.

Auditor General- The Illinois Auditor General is a constitutional officer of the State of Illinois charged with reviewing the obligation, expenditure, receipt and use of public funds. The office issues approximately 150 post-audits of State agencies each year, reviewing an agency's financial records, compliance with State and federal laws and regulations, and program performance after the close of its fiscal year. The office is accountable to the Legislative Audit Commission. The membership of the Legislative Audit Commission consists of 12 legislators appointed by the

General Assembly leadership and is equally apportioned between the two houses and political parties.

Board- The highest-level body charged with governance, such as a board of directors, an audit committee, a board of governors or trustees, a group of elected official or politicians, head of a state agency, another body that has authority over the relevant governance functions. In an organization that has more than one governing body, “board” refers to the body or bodies authorized to provide the internal audit function with the appropriate authority, role, and responsibilities. If none of the above exists, “board” should be read as referring to the group or person that acts as the organization’s highest level governing body. Examples include the head of the organization and senior management. In Illinois, the Chief Internal Auditor must report directly to the Chief Executive Officer or in the case of a Board, which has been established by Statute to oversee a State agency, the Chief Internal Auditor should have a dual reporting relationship directly to the Chief Executive Officer as well as the Board. The Chief Internal Auditor should be equivalent in stature to those on the executive team who report directly to the Chief Executive Officer.

Board Communication- Direct communication occurs when the chief audit executive (Chief Internal Auditor) regularly attends and participates in board meetings that relate to the board’s oversight responsibilities for auditing, financial reporting, organizational governance, and control. The CAE’s attendance and participation at these meetings provide an opportunity to be apprised of strategic business and operational development, and to raise high-level risk, systems, procedures or control issues at an early stage. Meeting attendance also provides an opportunity to exchange information concerning the internal audit activity’s plans and activities and to keep each other informed on any other matters of mutual interest. Such communication and interaction also occurs when the chief audit executive meets privately with the board at least annually.

Chief Audit Executive, Chief Internal Auditor, Audit Director- The leadership role responsible for effectively managing all aspects of the internal audit function in accordance with Global Internal Audit Standards, compliance with the internal audit charter and ensuring the quality performance of Internal Audit services. The specific job title and/or responsibilities may vary across organizations. The Chief Audit Executive (or Chief Internal Auditor) or others reporting to the Chief Audit Executive (or Chief Internal Auditor) will have the appropriate professional certifications and qualifications. The specific job title of the Chief Audit Executive may vary across organizations.” [In Illinois, the Fiscal Control and Internal Auditing Act refers to this position as Chief Internal Auditor.]

Chief Executive Officer or Agency Head- These terms are interchangeable and shall refer to the individual who has been designated by the Governor as the head of an agency under the Governor or the Constitutional Officer, in the case of those entities which do not fall under the direct jurisdiction of the Governor. The term “Agency” as utilized in this document, refers to an agency under the Governor or the Constitutional Office, in the case of those entities which do not fall under the direct jurisdiction of the Governor. Illinois Administrative Procedures Act (5 ILCS 100 Section 1-25) states, “‘Agency head’ means an individual or group of individuals in whom the ultimate legal authority of an agency is vested by any provision of law.”

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

Competency- Knowledge, skills and abilities.

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

Conflict of Interest – A situation, activity or relationship, that may influence or appear to influence, an internal auditor’s ability to make objective professional judgements or perform responsibilities objectively.

Constitutional Officer- The following are Constitutional Offices in Illinois: Governor, Secretary of State, Attorney General, Comptroller, Treasurer.

Control- Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

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

Criteria or Evaluation Criteria- In an engagement, specifications of the desired state of the activity under review.

Designated State Agency- This term is defined in the Illinois Fiscal Control and Internal Auditing Act 30ILCS 10/1003 (a). “Designated State agencies” include the offices of the Secretary of State, the State Comptroller, the State Treasurer, and the Attorney General, the State Board of Education, the State colleges and universities, the Illinois Toll Highway Authority, the Illinois Housing Development Authority, the public retirement systems, the Illinois Student Assistance Commission, the Illinois Finance Authority, the Environmental Protection Agency, the Capital Development Board, the Department of Military Affairs, the State Fire Marshal, and each Department of state government created in article 5, Section 5-15 of the Civil Administration Code of Illinois.”

Engagement- A specific internal audit assignment or project that includes multiple tasks or activities designed to accomplish a specific set of related objectives. See also “assurance services” and “advisory services.”

Engagement Conclusion- An internal auditor’s professional judgement about engagement findings when viewed collectively. The engagement conclusion should indicate satisfactory or unsatisfactory performance.

Engagement Objectives- Statements that articulate the purpose of an engagement and describe the specific goals to be achieved.

Engagement Planning-Process during which internal auditors gather information, address and prioritize risks relevant to the activity under review, establish engagement objectives and scope, identify evaluation criteria, and create a work program for an engagement.”

Engagement Results- The findings and conclusion of an engagement. Engagement results may also include recommendations and/or action plans.

Engagement Supervisor- An internal auditor responsible for supervising an internal audit engagement, which may include training and assisting internal auditors, as well as reviewing and

approving the engagement work program, workpapers, final communication, and performance. The chief audit executive may be the engagement supervisor or may delegate such responsibilities.

Engagement Work Program or Audit Program- A document that identifies the tasks to be performed to achieve the engagement objectives, the methodology and the tools necessary, and the internal auditors assigned to perform the tasks. The work program is based upon information obtained during engagement planning.

External Service Provider-Resource from outside the organization that provides relevant knowledge, skills, experience and/or tools to support internal audit services.

Finding- In an engagement, the determination that a gap exists between the evaluation criteria and the condition of the activity under review.

Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/-)- An Illinois law that requests state agencies to establish and maintain internal controls and to evaluate them regularly. It further states that each designated state agency must have a full-time internal auditing program. It also requires the appointment of a Chief Internal Auditor for those designated agencies and spells out the minimum qualifications for that person. It provides for the State Internal Audit Advisory Board (SIAAB) to have responsibilities over the internal audit function such as promulgating the standards that all internal audit shops are required to follow, act as a clearing house for training and oversee the Quality Assessment Program.

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

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

Impact- The result or effect of an event. The event may have a positive or negative effect on the organization's strategy or business objectives.

Impairment- Impairment to organizational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

Independence – The freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner.

Inherent Risk- The combination of internal and external risk factors that exists in the absence of management actions.

Internal Audit Activity (Internal Audit Function) - A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Integrity- Behavior characterized by adherence to moral and ethical principles, including demonstrating honesty and the professional courage to act based on relevant facts.

Internal Audit Charter- The internal audit charter is a formal document that includes the Internal Audit function's mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications. It defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Internal Auditing- An independent, objective assurance and advisory service designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

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

Internal Audit Mandate- The internal audit function's authority, role and responsibilities, which may be granted by the board and/or laws, and/or regulations.

Internal Audit Manual- The chief audit executive's documentation of the methodologies (policies processes and procedures) to guide and direct internal auditors within the internal audit function.

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

Internal Audit Plan Risk Assessment-Risk Assessment is the identification and analysis of risks as they pertain to the functions of the agency and its ability to achieve the organization's objectives for the purpose of developing a prioritization of audit coverage to be included in an Internal Audit Plan to determine the adequacy and the effectiveness of the agency's internal controls.

Legislative Audit Commission- The Illinois Legislative Audit Commission is responsible for the oversight of the State Audit Program, review of the stewardship of public funds and the monitoring action to correct weaknesses disclosed by the audits of state agencies. The membership consists of 12 legislators appointed by the General Assembly leadership and is equally apportioned between the two houses and political parties. The Legislative Audit Commission is mandated by law pursuant to (25ILCS 150/.01-0.06) to review all audits conducted by the State Auditor General. Its primary responsibilities consist of the following:

- Public hearings on all major audits of State agencies to review problems, assess agency stewardship, and secure remedial action.
- Initiation and review of management and program audits and investigations.
- Make recommendations to the General Assembly and agency management for corrective legislation and other measures to remedy weaknesses disclosed through audits or at Commission hearings.
- Monitoring agency progress in implementing corrective action.

Likelihood- The probability that a given event will occur.

May- As used in considerations for implementation of the Global Internal Audit Standards, the word “may” describes optional practices to implement the requirements.

Methodologies- Policies, processes and procedures established by the chief audit executive to guide the internal audit function and enhance its effectiveness.

Must- The Global Audit Standards use the term “must” to specify an unconditional requirement.

Objectivity- An unbiased mental attitude that allows internal auditors to make professional judgments, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise.

Outsourcing- Contacting with an independent external provider of internal audit services. Fully outsourcing a function refers to contracting the entire internal audit function and partially outsourcing, also called “cosourcing”, indicates that only a portion of the services are outsourced.

Periodically- At regularly occurring intervals depending on the needs of the organization, including the internal audit function.

Professional Skepticism- Questioning and critically assessing the reliability of information.

Public Sector- Governments and all publicly controlled or publicly funded agencies, enterprises and other entities that deliver programs, goods or services to the public.

Quality Assurance and Improvement Program- A program established by the chief audit executive to elevate and ensure the internal audit function conforms with the Global Internal Audit Standards, achieves performance objectives, and pursues continuous improvement. The program includes internal and external assessments.

Record- The State Records Act (5 ILCS 160/2) " 'Record' or 'records' means all books, papers, born-digital electronic material, digitized electronic material, electronic material with a combination of digitized and born-digital material, maps, photographs, databases, or other official documentary materials, regardless of physical form or characteristics, made, produced, executed, or received by any agency in the State in pursuance of State law or in connection with the transaction of public business and preserved or appropriate for preservation by that agency or its successor as evidence of the organization, function, policies, decisions, procedures, operations, or other activities of the State or of the State Government, or because of the informational data contained therein."

Residual Risk- The portion of inherent risk that remains after management actions are implemented.

Results of Internal Audit Services- Outcomes such as engagement conclusions, themes, (such as effective practices or root causes), and conclusions at the level of the business unit or organization.

Risk- The positive or negative effect of uncertainty on objectives.

Risk Appetite- The types and amount of risk that an organization is willing to accept in the pursuit of its strategies and objectives.

Risk Assessment- The identification and analysis of risks relevant to the achievement of an organization's objectives. The significance of risks is typically assessed in terms of impact and likelihood.

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

Risk Tolerance- Acceptable variations in performance related to achieving objectives.

Risk and Control Matrix- An optional tool used by some auditors to facilitate the performance of internal auditing, it typically links business objectives, risks, control processes, and key information to support the internal audit process.

Root Cause- Core issue or underlying reason for the difference between the criteria and the condition of an activity under review.

Senior Management- The highest level of executive management of an organization that is ultimately accountable to the board for executing the organization's strategic decisions. In state of Illinois government, it is those individuals that are typically direct reports to the chief executive, agency head, or director of the agency or to the Constitutional Officer.

Should- As used in the considerations for implementation of the Global Internal Audit Standards, "Should" describes practices that are preferred but not required.

Significance- The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, relevance, and impact. Professional judgement assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

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

Standard - A professional pronouncement promulgated by the International Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance. Further guidance is provided in the "Fundamentals" Section of the Standards. Note: Code of Ethics and Standard are no longer defined in the IIA Glossary. Instead, it states those were incorporated into the Global Internal Audit Standards.

System Development Projects Pre-Implementation Reviews- The Illinois Fiscal Control and Internal Auditing Act (FCIAA) requires pre-implementation reviews of major system development or major modification to an existing system. SIAAB developed Guidance 10 to assist the Chief Internal Auditor with compliance with this requirement that is based upon 3 Risk Levels of Information Technology Projects. Level 1 projects are those projects deemed as "Major" under FCIAA and therefore they receive a review that encompasses the entire system development process. A Level 2 is a project designation assigned by the Chief Internal Auditor that means they have determined although it is not a major system development or major modification to an existing system, it can be a significant enough project to have some work performed. A Level 2 project is called a Limited System Development Review. A Level 3 designation is all other projects not designated as a Level 1 or 2. Generally, no specific work is planned for these projects, and they are

just monitored for informational purposes. However, the Chief Internal Auditor (CIA) could decide at their discretion to assign work on a Level 3 project if they deem it necessary.

State Agency or Agency- In Illinois, the term “Agency” is defined in the Illinois Administrative Procedures Act (5 ILCS 100 Section 1-20) which states, “‘Agency’ means each officer, board, commission, and agency created by the Constitution, whether in the executive, legislative, or judicial branch of State government, but other than the circuit court; each officer department, board, commission, agency, institution, authority, university, and body politic and corporate of the State; each administrative unit or corporate outgrowth of the State government that is created by or pursuant to statute, other than units of local government and their officers, school districts, and boards of election commissioners; and each administrative unit or corporate outgrowth of the above and as may be created by executive order of the Governor. In accordance with the Illinois Administrative Procedures Act (5 ILCS 100 Section 1-25), “Agency Head’ means, an individual or group of individuals in whom the ultimate legal authority of an agency is vested by any provision of law.”

State Internal Audit Advisory Board (SIAAB)- State Internal Audit oversight board created pursuant to the Illinois Fiscal Control and Internal Auditing Act 30ILCS 10/2005. The law created an 11-member Internal Audit Advisory Board consisting of the Chief Internal Auditors from the Department of Central Management Services, State Comptroller, Secretary of State, State Treasurer, Attorney General and 6 Chief Internal Auditors appointed by the Governor. SIAAB was given the authority to promulgate 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 will adhere. They also serve as a clearing house for internal auditor training needs and coordinate peer review activities among the state Internal Audit shops.

Workpaper- Documentation of the internal audit work done when planning and performing engagements. The documentation provides supporting information for engagement findings and conclusions.

Note: This glossary consists of terms defined by the Institute of Internal Auditors, as well as terms defined or clarified by the Illinois State Internal Audit Advisory Board. Some Institute of Internal Auditor terms have been modified to fit Illinois State Government operations.