



**Northern Illinois  
University**

## **NIU Internal Audit**

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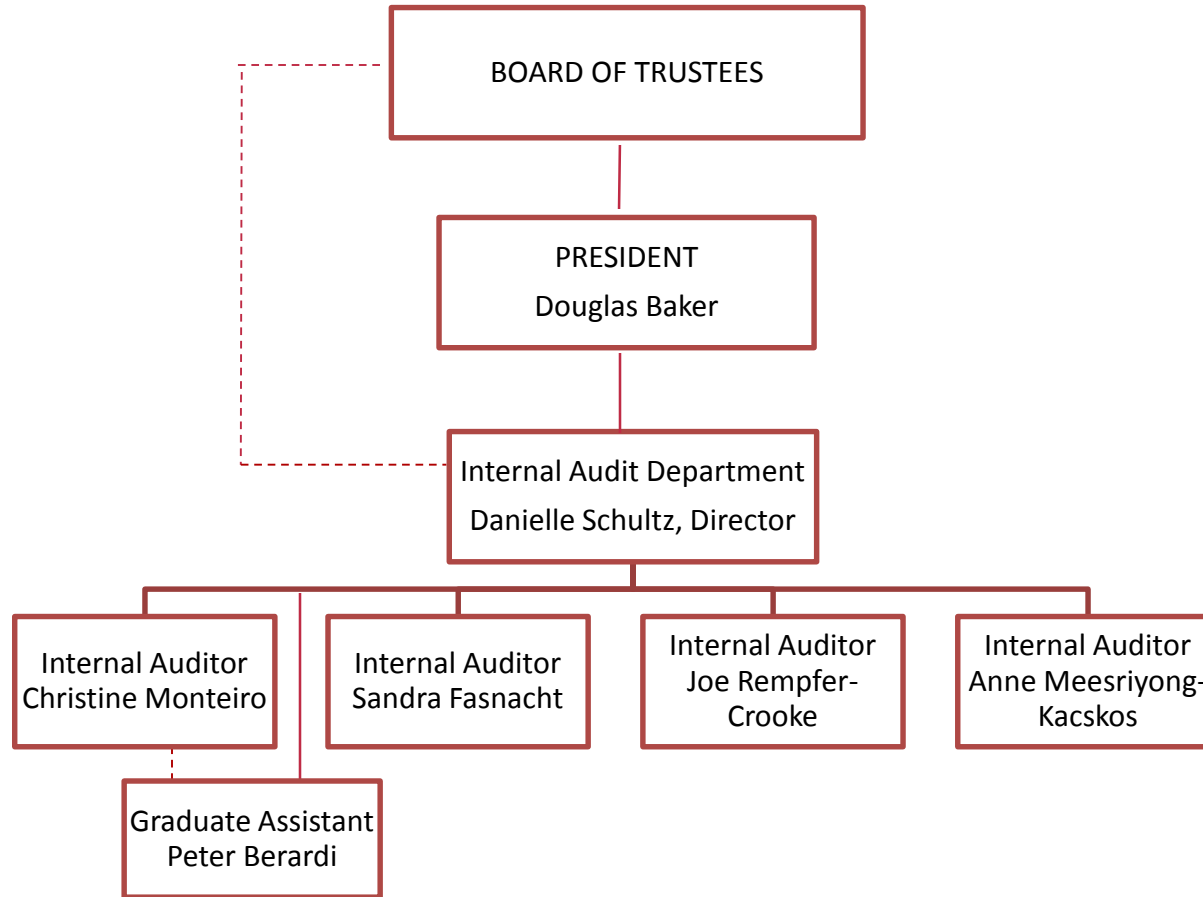
November 12, 2015

# Agenda



- Organizational placement of Internal Audit
- Statutes, Standards, and Guidelines
- Overview of roles and responsibilities for Internal Audit, the President, and the CARL Committee
- Summary of how audits are selected for audit plan
- Laws regarding internal audit work product and communication
- FY 2015 Report

# Organizational Placement



# Guidance for Internal Audit



- Fiscal Control and Internal Auditing Act (30 ILCS 10)
- State Internal Audit Advisory Board
- The *International Standards for the Professional Practice of Internal Auditing* and the *Code of Ethics* published by The Institute of Internal Auditors
- *Generally Accepted Government Auditing Standards (Yellow Book)* published by the US Government Accountability Office

# Fiscal Control and Internal Auditing Act

## -Specific to Internal Audit



- Report directly to Chief Executive Officer (president) and have direct communication with president and Board of Trustees
- Remain free of all operational duties
- Complete an annual risk assessment
- Develop a two-year audit plan, created annually, which must be approved by the president before June 30
- Deliver annual internal audit department report to the president by September 30
- Confirm that staff is adequately trained, having obtained the required annual continuing education

# Fiscal Control and Internal Auditing Act -Specific to President



- Appoint chief internal auditor
- Ensure internal auditing program includes two-year audit plan, identifying audits scheduled for pending fiscal year
- Approve two-year audit plan by June 30
- By May 1 of each year, prepare and transmit to the Auditor General a certification that NIU's systems of internal fiscal and administrative controls fully comply with requirements of this Act

# Fiscal Control and Internal Auditing Act -Specific to CARL Committee



- “The chief internal auditor shall report directly to the chief executive officer and shall have direct communications with the **governing board.**”  
(30 ILCS 10/2002(b))
- Sec 2003 – Internal auditing program requirements.
  - (4) “Special audits of operations, procedures, programs, electronic data processing systems, and activities as directed by the chief executive officer **or the by the governing board,** if applicable.”

# State Internal Audit Advisory Board

## -Specific to President and CARL Committee



- The SIAAB will notify the **Chief Executive Officer or Board** of organizations that are not compliant with the SIAAB's Quality Assurance Review requirements



# IIA Professional Standards

## -Specific to President and CARL Committee



- The chief audit executive must...
  - periodically review the internal audit charter and present it to **senior management** and the **board** for approval (Performance Standard 1000)
  - confirm to the **board**, at least annually, the organizational independence of the internal audit activity (Performance Standard 1110)
  - communicate and interact directly with the **board** (Performance Standard 1111)
  - communicate the results of the quality assurance and improvement program to **senior management** and the **board** (Performance Standard 1320)
  - communicate the internal audit activity's plans and resource requirements, including significant interim changes, to **senior management** and the **board** for review and approval (Attribute Standard 2020)
  - report periodically to **senior management** and **board** on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan (Attribute Standard 2060)
  - communicate to the **board** any instances in which management has accepted a level of risk that may be unacceptable to the organization, after discussing it with senior management and determining the matter has not been resolved (Attribute Standard 2600)

# US Government Accountability Office

## -Yellow Book ... specific to Internal Audit



- **External Peer Review** – “Internal audit organizations that report internally to management and those charged with governance should provide a copy of the peer review report to those charged with governance.” **(3.105)**
- **Internal Auditor Independence** – “...internal auditors who work under the direction of the audited entity’s management are considered independent for the purposes of reporting internally if the head of the audit organization meets all of the following criteria” a. ..accountable to head of government entity or those charged with governance; b. reports the audit results both to the head or those charged with governance; c. is organizationally located outside area under audit; d. has access to those charged with governance; and e. is sufficiently removed from political pressures to conduct and report findings, opinions, and conclusions objectively without fear of reprisal. **(3.31)**
- **Distributing Reports** – “...the head of the internal audit organization should communicate results to the parties who can ensure that the results are given due consideration” **(4.45 b, 5.44 b, 5.52 b, 5.62 b, and 7.44 b)**
- **Internal Control** – “Internal auditing is an important part of overall governance, accountability, and internal control.” **(6.22)**
- **Communication during audits** – “...auditors communicate with those charged with governance. In some audit entities, multiple parties may be charged with governance, including oversight bodies, members or staff of legislative committees, boards of directors, audit committees, or parties contracting for the audit. **(Supplemental Guidance A1.05)**

# Law Regarding Internal Audit Work Product and Communications



Illinois has established clear public policy that the work product of auditors for public bodies can be held confidential and is exempt from public disclosure.

- The Illinois Freedom of Information Act provides that the following information is exempt from public disclosure:

*(m) Communications between a public body and an attorney or **auditor** representing the public body that would not be subject to discovery in litigation, and materials prepared or compiled by or for a public body in anticipation of a criminal, civil or administrative proceeding upon the request of an attorney advising the public body, and materials prepared or compiled with respect to **internal audits** of public bodies.*

- The Illinois Open Meetings Act allows public bodies to go into closed session for the following:

*(29) Meetings between **internal** or external **auditors** and governmental audit committees, finance committees, and their equivalents, when the discussion involves internal control weaknesses, identification of potential fraud risk areas, known or suspected frauds, and fraud interviews conducted in accordance with generally accepted auditing standards of the United States of America.*

- Disclaimer for materials provided to CARL Committee:

These materials and any accompanying document(s) are confidential and may be privileged under applicable law. They are intended for the sole review and inspection of the addressee(s). These materials are prepared or compiled with respect to internal audits of Northern Illinois University and, as such, are exempt from public disclosure under the Illinois Freedom of Information Act and Illinois Open Meetings Act. In order to preserve the confidential and potentially privileged nature of these materials, please do not re-disclose these materials, or the information contained within, without first speaking with the Director of Internal Audit and/or the Vice President and General Counsel of Northern Illinois University. Any distribution or copying of these materials should only be done by the Director of Internal Audit. All rights in these materials are reserved by the Board of Trustees of Northern Illinois University.

# How Audits Are Selected (not really)



# How Audits Are Selected



The internal audit director will...

- Meet with the President, the CARL Committee Chair, members of the President's Cabinet, and other members of university management
- Evaluate cash handling and deposits for departments across campus
- Complete risk assessment process
- Determine available staff hours and estimate hours needed for each required audit
- Based on remaining staff hours available, add areas or operations identified as high risk to complete audit plan
- Provide draft of two-year audit plan to President, which is shared with his cabinet
- Finalize audit plan and obtain approval from President before June 30

# Who Audits the Auditors?



- Annually, our operation is reviewed during the Compliance Audit overseen by the Office of the Auditor General (OAG)
- Once every five years, a peer review is completed under the guidance of the State Internal Audit Advisory Board

# NIU Internal Audit Staff



- FY 2015
  - Danielle Schultz, CIA, CISA, CPA
    - 20 years in department
  - Christine Monteiro, CIA, CFE
    - 5 years in department
  - Sandra Fasnacht, CIA, CPA, MAS
    - 4 years in department
  - Joe Rempfer-Crooke
    - 6 months in department
- Recent Addition
  - Anne Meesriyong-Kacskos, MBA
    - Started November 2, 2015

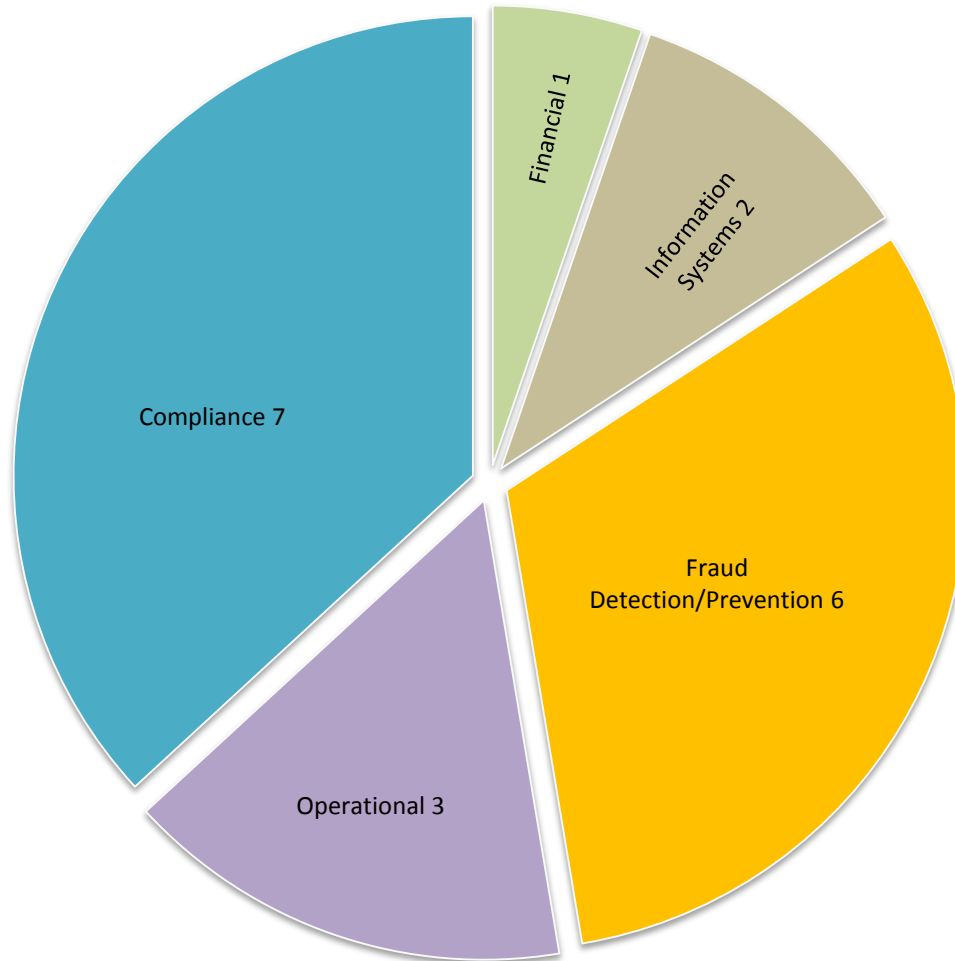
# FY 2015 Report



- Audit plan included 20 audits
- Two information system upgrade audits were added to plan
- Three audits were removed from plan
- Nineteen audits were conducted



# FY 2015 Types of Audits Conducted





# QUESTIONS