

# POLICY

## POLICY ON INTERNAL AUDITING

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**The University's policy on Internal Auditing  
is stated in Section 9.3 of the  
Office of Business and Financial Services (OBFS)  
Business and Financial Policies and Procedures,  
which is included below**

The Office of University Audits is a staff function in the University of Illinois administration. The office assists all levels of the administration in achieving University objectives by striving to provide a positive impact on the efficiency and effectiveness of administrative functions. The office achieves this impact through independent appraisals, analyses, and counsel related to:

- Assessment of business risk.
- Identification and implementation of internal control improvements.
- Enhancements to the efficiency and effectiveness of business functions.
- Compliance with federal and state regulations and University policies and procedures.

The Executive Director of the Office of University Audits reports functionally to the President of the University and the Budget and Audit Committee of the Board of Trustees and administratively to the Vice President and Chief Financial Officer. The Budget and Audit Committee of the University's Board of Trustees maintains oversight of the auditing function.

### Objectives of Audits and Reviews

Internal auditors carry out their work in order to:

- Determine whether the University's overall internal control system and unit administrative controls are adequate, effective, and efficient.
- Determine the reliability and adequacy of the accounting, financial, and reporting systems and procedures.
- Determine that University activities conform to University policies and procedures, state and federal laws and regulations, contractual obligations, and good business practices.
- Determine the extent to which University assets are accounted for and safeguarded from losses of all kinds, and verify the existence of assets.
- Evaluate operational procedures to determine whether results are consistent with established objectives and goals, and whether the procedures are carried out as planned.
- Evaluate the design of major new electronic data processing systems and major modifications to existing systems before installation to determine whether the system of internal control is adequate, effective, and efficient.

In addition, internal auditors conduct or support investigations, as required or directed.

### Scope of Audit Coverage

The general scope of audit coverage is University-wide and no function, activity, or unit of the University is exempt from audit and review. No officer, administrator, or staff member may prohibit internal auditors from examining any University record or interviewing any employee or student that the auditors think relevant to their audits and reviews. Additionally, the Executive Director of the Office of University Audits has authority to audit the accounts of all organizations required to submit financial statements to the University.

## Operational Limitation of Authority and Responsibility

In performing their work, the Executive Director of the Office of University Audits and other internal auditors have neither direct authority over, nor responsibility for, any of the activities reviewed. Internal auditors do not develop and install procedures, prepare records, make management decisions, or engage in any other activity that could be reasonably construed to compromise their independence. Therefore, internal audit reviews and appraisals do not, in any way, substitute for or relieve other University personnel from their assigned responsibilities.

## Auditing Procedures

The internal auditors conduct audits and reviews in accordance with the *Standards for the Professional Practice of Internal Auditing* (The Institute of Internal Auditors). The internal audit function is carried out in compliance with requirements of the *Fiscal Control and Internal Auditing Act* of the State Internal Audit Advisory Board.

Performance standards for the audit function are defined in the *Audit Manual of the Office of University Audits*, and are developed from the *Standards for the Professional Practice of Internal Auditing*, *General Standards for Information Systems Auditing* (Information Systems Audit and Control Association), *Statement on Auditing Standards No. 1* (American Institute of Certified Public Accountants), the *Audit Guide for Performing Compliance Audits of Illinois State Agencies* (Auditor General, State of Illinois), and the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions* (Comptroller General of the United States).

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## FOUNDATION GENERAL POLICY AND GUIDELINES MANUAL

### University of Illinois Foundation

The following policy and guidelines concerning internal auditing are included in the University of Illinois Foundation General Policy and Guidelines and represent the Foundation's "Charter" for the Office of University Audits.

#### General Policy

The Board of Directors of the University of Illinois Foundation is committed to a vigorous program of internal auditing designed to test the effectiveness of internal control.

#### Guidelines

The internal audit program is conducted by the Executive Director of University Audits in accordance with the 1983 policy statement "University of Illinois Foundation Internal Audit Function" which follows.

#### Policy Statement

It is the policy of the Board of Directors of the University of Illinois Foundation to establish and maintain an internal audit function that: provides all levels of management with information about the managerial control of the operations for which it is responsible; provides the Audit Committee of the Board of Directors with necessary information to discharge its responsibilities; and assists management and Audit Committee members in deciding how effective the total system of internal control is in achieving its broad objectives for the governance and operation of the Foundation.

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## **ALUMNI ASSOCIATION GENERAL POLICY AND GUIDELINES MANUAL**

### **University of Illinois Alumni Association**

The following policy and guidelines concerning internal auditing are included in the University of Illinois Alumni Association General Policy and Guidelines and represent the Alumni Association's "Charter" for the Office of University Audits.

#### **General Policy**

The Board is committed to a program of internal auditing designed to test the effectiveness of internal control.

#### **Guidelines**

The internal audit program is conducted by the Office of University Audits.