University of Illinois System

Office of University Audits

Annual Report

For the Year Ended June 30, 2026

Report to the University of Illinois Board of Trustees

September 2026

SECTION 1

MESSAGE FROM THE EXECUTIVE DIRECTOR

President Killeen and
The University of Illinois Board of Trustees

I am pleased to present the Office of University Audits (Office) Annual Report for the Year Ended June 30, 2026. The Office provides assurance and advisory services that promote accountability, transparency, and continuous improvement across the University of Illinois System (U of I System) while supporting the achievement of organizational objectives.

I am proud of the Office's dedicated team of professionals and the progress made during Fiscal Year 2026 to strengthen the Office's capabilities and position it for the future. Key accomplishments included full implementation of a modernized audit management platform to replace the legacy platform, continued advancement of workforce development and succession planning initiatives, progress toward our multi-year staffing expansion strategy, and responsible adoption of artificial intelligence tools designed to enhance audit effectiveness and efficiency. These efforts support our commitment to delivering high-quality services while remaining responsive to the evolving needs of the U of I System.

During Fiscal Year 2026, the Office executed a risk-based audit plan aligned with the U of I System's strategic objectives and institutional priorities. Office assurance, investigation, and consulting/advisory activities covered a broad range of areas and identified opportunities to enhance governance, operations, information technology, and financial stewardship. Management agreed with the recommendations resulting from these reviews and established implementation plans to support continuous improvement.

The Office also completed a periodic internal assessment of conformance with the Global Internal Audit Standards and continued to enhance its quality assurance and improvement processes. Consistent with the Global Internal Audit Standards and the Internal Audit Charter, communications regarding internal audit independence, quality assurance and improvement activities, significant risks, emerging issues, resource adequacy, and detailed audit results were provided throughout the year to the Audit, Budget, Finance, and Facilities Committee and senior management through quarterly reports, presentations, meetings, and other audit communications.

As we look ahead, the Office remains committed to supporting effective governance, risk management, and internal controls while helping the U of I System navigate an increasingly complex operating environment. We will continue to focus our efforts on areas of greatest risk and strategic importance, leveraging technology, data analytics, and the expertise of our staff to provide meaningful insight and value to the U of I System and its stakeholders.

I extend my sincere appreciation to President Killeen and the Audit, Budget, Finance, and Facilities Committee for their continued support. I also thank U of I System management and employees for their cooperation and engagement throughout the year. Finally, I commend the professionals of the Office of University Audits for their dedication, expertise, and commitment to excellence in serving the U of I System.

Sincerely,

Julie A. Zemaitis
Executive Director of University Audits

SECTION 2

USE OF AUDIT RESOURCES DURING FISCAL YEAR 2026

The Office's strategic intent is to operate in a manner that adds value within the U of I System, responds to the priorities and expectations of stakeholders, and adapts to changes in technology, legislation, and organizational objectives. In support of this mission, audit resources are deployed using a risk-based approach that aligns audit coverage with areas of greatest institutional risk and strategic importance. During Fiscal Year (FY) 2026, available resources supported completion of the approved audit plan, follow-up reviews of prior recommendations, investigations, and strategic initiatives designed to enhance audit effectiveness and efficiency. Resource allocation and audit coverage were reviewed throughout the year and adjusted, when necessary, to address emerging risks, management requests, and changing organizational priorities. The following are summaries of how our Office utilized audit resources during FY26.

FISCAL YEAR 2026 AUDIT PLAN COMPLETION STATUS

Number of Projects

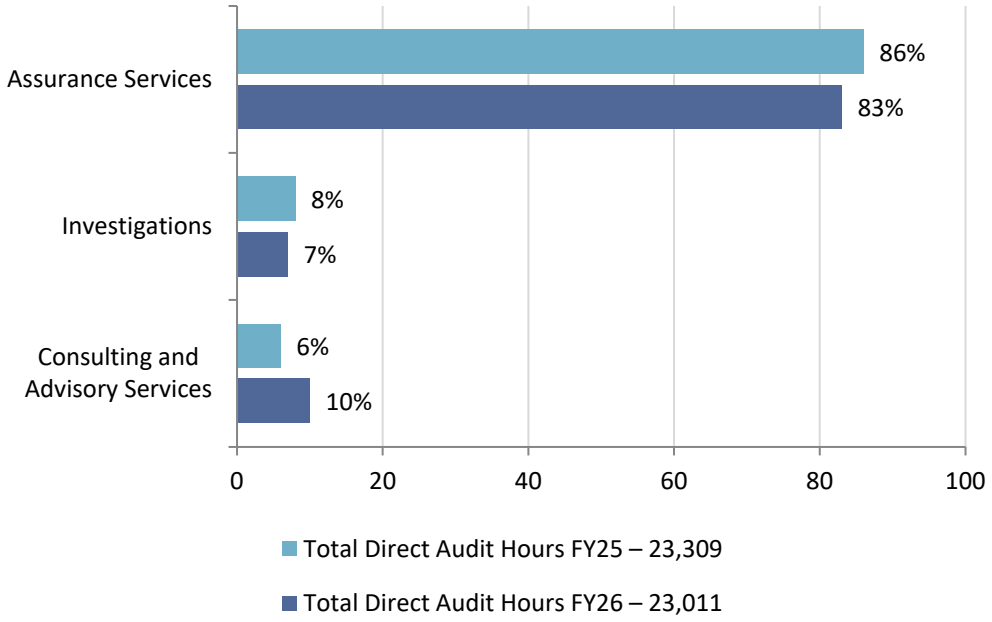
	Projects Completed FY25 Plan	Projects Completed FY26 Plan	Fieldwork Completed – Report Drafted and Pending	In-Progress	Deferred to FY27/28 Plan	Withdrawn – Risk Lowered
Planned Audits	13	33	2	17	15	9
Projects Added	0	10	2	7	1	1
Total	**13**	**43**	**4**	**24**	**16**	**10**

Hours

	Planned	Actual	Remaining Hours	Remaining Percent
Planned Audits	18,120	18,021	99	0.5%
Follow-up	1,665	1,322	343	20%
Emerging Issues / Investigations	2,660	3,668	(1,008)	(38)%
Total	**22,445**	**23,011**	**(566)**	**(3)%**

Direct Audit Hours by Type of Project

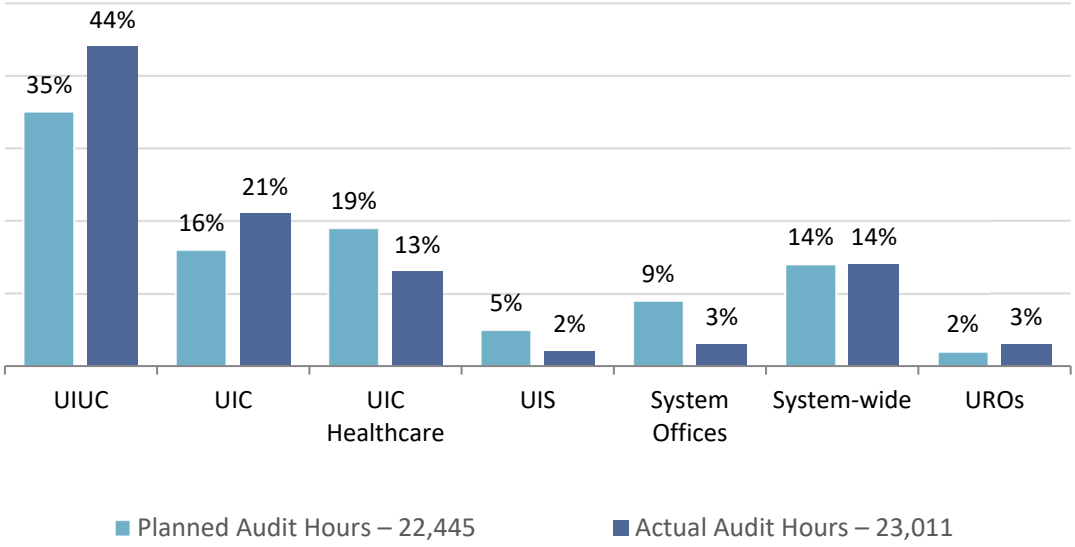
Fiscal Years 2025 and 2026



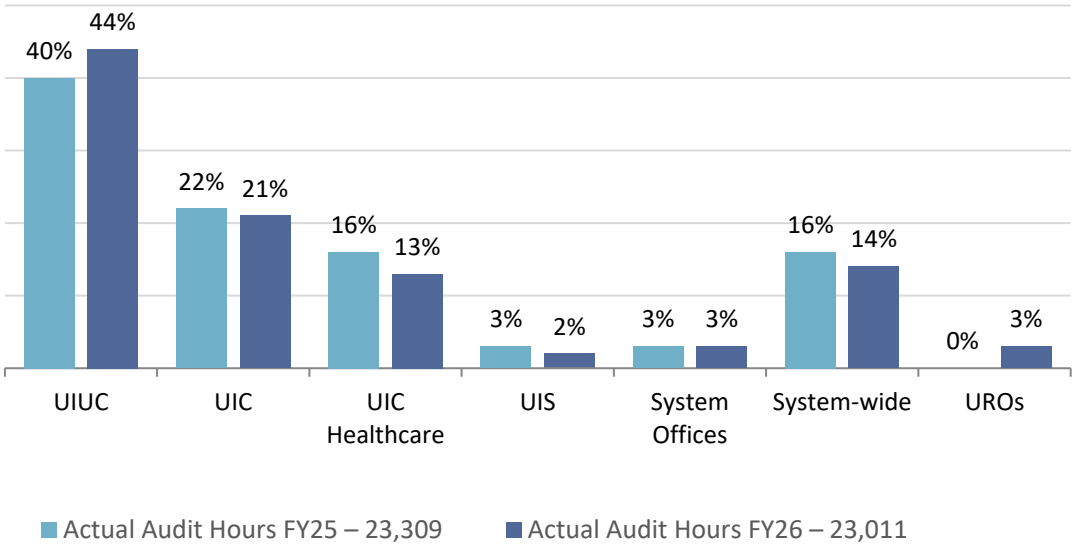
Appendix B provides a summary of completed projects, along with a definition of engagement types and areas of focus.

Direct Audit Hours by University / Area

Fiscal Year 2026



Fiscal Years 2025 and 2026



Fiscal Years 2025 and 2026 Personnel Expenditures

	FY25	FY26
Budget	$2,565,340	$2,639,300
Actual	2,325,740	2,395,783
(Over)/Under Budget	**$239,600**	**$243,517**

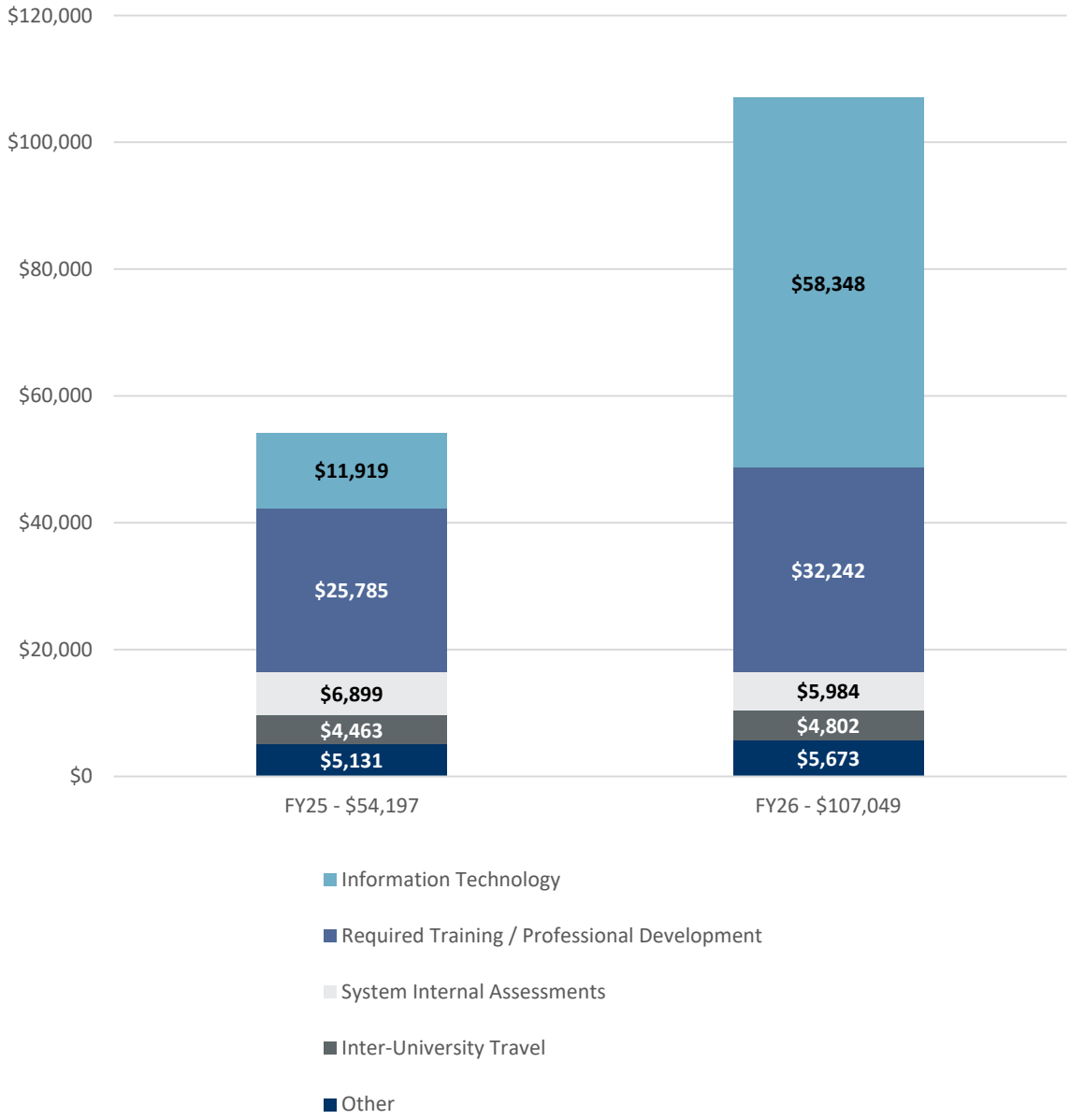
Variations in personnel expenditures reflect the Office's multi-year succession planning strategy, including funding provided in Fiscal Year 2024 for promotional opportunities and workforce development initiatives. A portion of this funding remains available to support future planned personnel actions. Personnel expenditures during Fiscal Years 2025 and 2026 were also influenced by periods of vacancy associated with employee transitions and recruitment activities.

Fiscal Years 2025 and 2026 Non-Personnel Expenditures

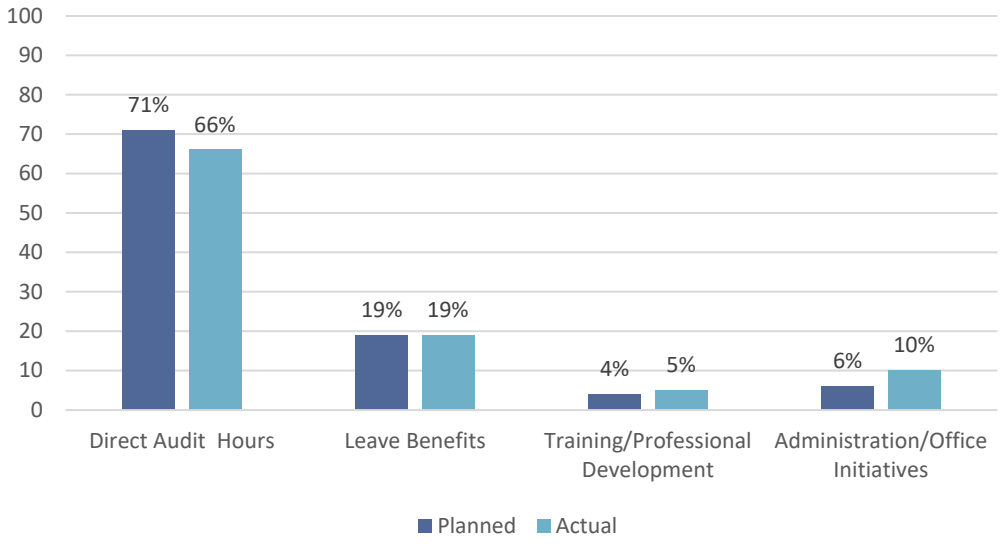
	FY25	FY26
Budget	$ 72,600	$ 72,300
Actual	54,197	107,049
(Over)/Under Budget	**$ 18,403**	**$ (34,749)**

Unspent Fiscal Year 2025 budget primarily reflects reimbursement of annual maintenance costs prepaid as part of a prior year audit management system acquisition. Fiscal Year 2026 expenditures exceeded budget due to planned investments in technology, including laptops for new employees and future refresh cycles, Microsoft 365 Copilot licenses, and additional audit management system licenses for new staff. These expenditures were funded through available resources and align with the Office's strategic technology and workforce initiatives.

Fiscal Years 2025 and 2026 Use of Non-Personnel Expenditures (Actual)



Fiscal Year 2026 Allocation of Audit Staff Utilization



Administration/Office Initiatives and Training/Professional Development hours exceeded plan due to succession planning activities, including staff transitions into director-level roles, participation in Office strategic initiatives, and additional professional development. Correspondingly, Direct Audit Hours were modestly below plan. These investments advance the Office's long-term effectiveness and sustainability.

SECTION 3

AUDIT RECOMMENDATION IMPLEMENTATION STATUS

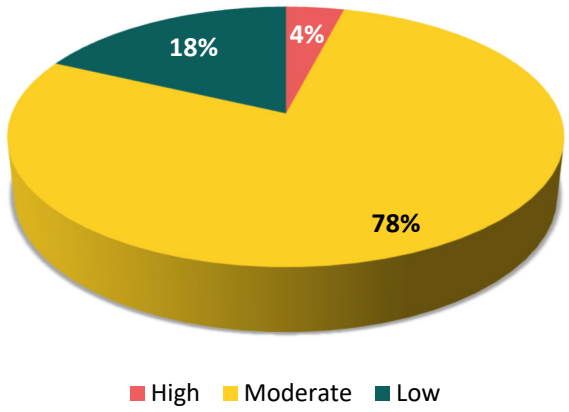
As part of its quality and performance monitoring processes, the Office follows up on audit recommendations after management's expected implementation dates have passed. This follow-up testing evaluates the status of management's corrective action plans and helps determine whether those planned actions have been implemented and are operating as intended. When corrective actions are not implemented, the associated risks may be accepted by management in accordance with established governance processes. This follow-up activity provides insight into the effectiveness of management's response to audit observations and supports continuous improvement across the University of Illinois System.

The results of the audit recommendation follow-up activities for Fiscal Years 2024 through 2026 are presented in the following chart:

IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

	FY2024	FY2025	FY2026
Beginning Balance	211	166	220
Internal Audit Recommendations Issued	135	243	188
Implemented by Management	-134	-175	-141
Partially Implemented by Management / Remaining Risks Accepted by Management	-18	-9	-15
Not Implemented / Risks Accepted by Management	-27	-4	-10
Withdrawn by Internal Audit	-1	-1	-8
ENDING BALANCE	**166**	**220**	**234**

Risk and Priority Rating
All Open Audit Recommendations – 6/30/26

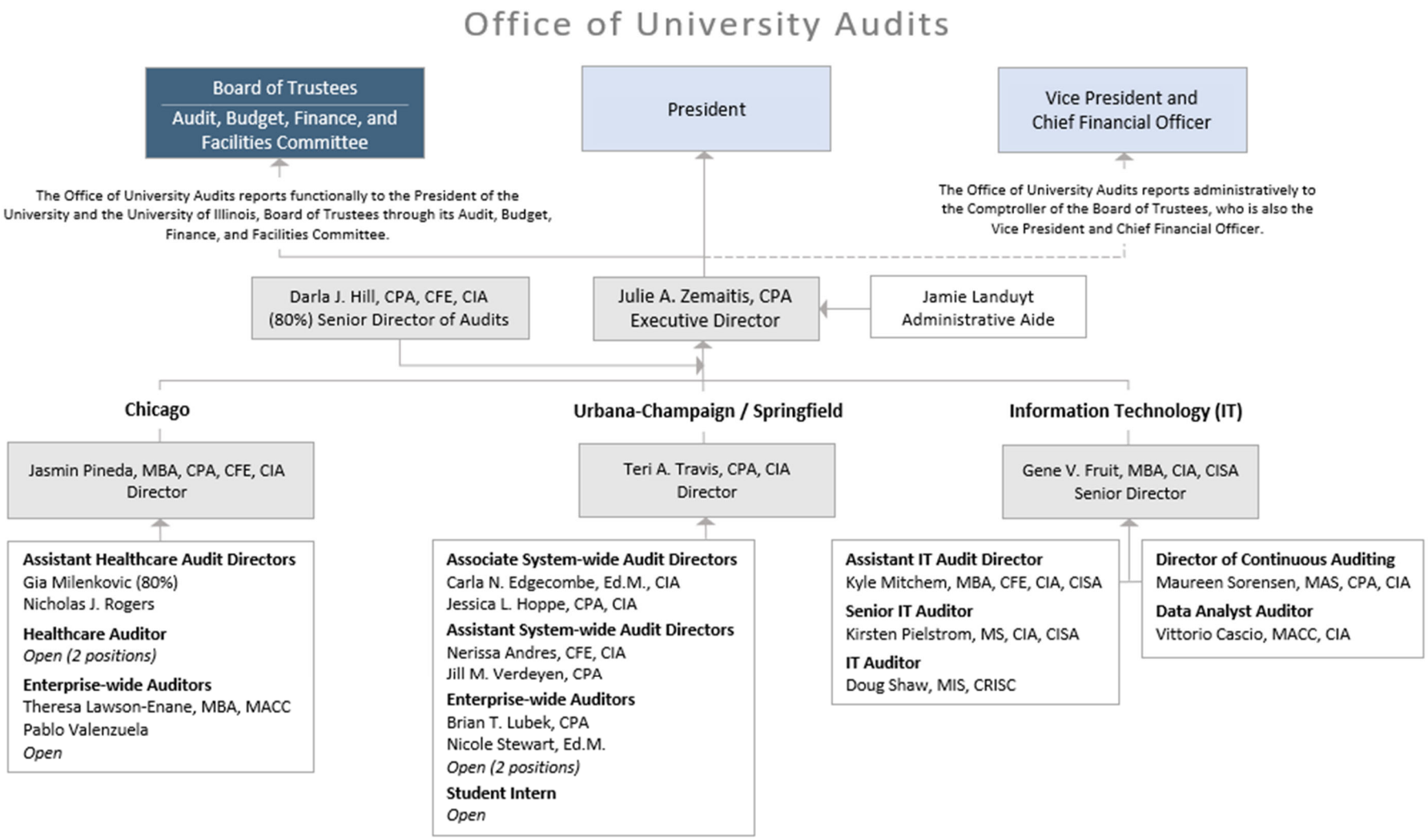


Aging of Outstanding Recommendations by Management's Original Expected Implementation Date

Fiscal Year	Number of Recommendations
2028	11
2027	161
2026	62
TOTAL RECOMMENDATIONS	**234**

APPENDIX A

ORGANIZATION CHART AS OF JUNE 30, 2026



Certifications and Advanced Degrees Held by Members of the Office of University Audits Professional Staff

Professional Certifications	Advanced Degrees
11 CIA (Certified Internal Auditor)	4 MBA (Master of Business Administration)
8 CPA (Certified Public Accountant)	2 Ed.M. (Master of Education; Master of Educational Organization and Leadership)
3 CISA (Certified Information Systems Auditor)	1 MS (Master of Science, Computer Science)
4 CFE (Certified Fraud Examiner)	2 MACC (Master of Accountancy)
1 CRISC (Certified Risk and Information System Control)	1 MAS (Master of Accounting Science)
	1 MIS (Master of Management Information Systems)

APPENDIX B

SUMMARY OF COMPLETED PROJECTS

The following summarizes the projects completed during Fiscal Year 2026. All projects were performed in conformance with The Institute of Internal Auditors' International Professional Practices Framework, which includes the Global Internal Audit Standards, adopted by the State of Illinois Internal Audit Advisory Board as the standard of performance to which all state internal auditors must adhere.

ASSURANCE AUDITS

Assurance engagements are services through which the internal auditors perform objective assessments of an organization's governance, risk management, and control processes for the purpose of increasing stakeholders' confidence.

Areas of Focus

Internal control focus considers whether the unit is conducting its financial and business processes under an adequate system of internal control, as required by the U of I System policy and guidelines and good business practice.

Chicago

- College of Business Administration, Department of Accounting
- College of Dentistry, Dental Clinics
- College of Engineering, Department of Mechanical and Industrial Engineering
- College of Liberal Arts and Sciences, Department of Chemistry
- College of Liberal Arts and Sciences, Department of Mathematics, Statistics and Computer Science
- Managed Care Office
- University of Illinois Hospital, Dermatology Center
- University of Illinois Hospital, Gastrointestinal Diagnostic Services - Endoscopy Lab
- University of Illinois Hospital, Laboratory Pathology Services
- Vice Chancellor for Administrative Services, Facilities Management

Urbana-Champaign

- College of Law
- College of Liberal Arts and Sciences, Department of Mathematics
- Grainger College of Engineering, Engineering Business Services Center

Compliance focus considers U of I System policies and procedures and external requirements. Examples of external requirements include donor intent, federal and state laws and regulations, National Collegiate Athletic Association legislation, and Big Ten Conference legislation.

Urbana-Champaign

- Institutional Research Board and Office of Protection of Research Subjects

System Offices

- Discovery Partners Institute, Expenditures
- Office of University Audits, Internal Self-Assessment

Information technology (IT) focus considers the internal control environment of automated information processing systems and how people use those systems which typically include system input, output, and processing controls; backup and recovery plans; system security; and computer facilities.

Chicago

- College of Nursing
- University of Illinois Hospital, Cybersecurity
- University of Illinois Hospital, Continuity of Operations

Urbana-Champaign

- Beckman Institute
- Division of Intercollegiate Athletics
- Office of the Chief Information Officer, Cybersecurity

Operational focus considers the use of unit resources and whether those resources are being used in efficient and effective ways. An operational focus is typically combined with other focus areas such as internal control and compliance.

Urbana-Champaign

- College of Law
- College of Liberal Arts and Sciences, Department of Psychology, Psychological Services Center
- Graduate College
- UIUC Mental Health Services, Overarching Operational Audit Summary

Springfield

- Office of Disability Services

Data Analytics is a methodology that uses data to evaluate risk and related internal controls on a more frequent basis. It involves using various techniques to identify anomalies, patterns or trends, and other indicators, such as non-compliance with U of I System policies, which may reveal control weaknesses. It can be used to assess the risk of a particular business cycle or to perform detailed transaction analysis against cut-offs or thresholds. The analysis is typically U of I System-wide, with more detailed reviews of transactions occurring as needed based on the results. It is also used as an element of the annual risk assessment for audit plan development.

System-wide Data Analytics Reviews

- Emburse Enterprise
- Employee Travel Expenses
- Federal Grant Anticipation Funds
- Fund Deficit Identification and Reporting
- iBuy Purchases
- Overtime
- P-Card Transactions
- Trending Analysis of Purchasing Activity
- Trending Analysis of Vendor Volume
- Vendor Bank Account Records
- Vendors Paid via Online Payment Processors by PCard
- Vendors Used by One Employee

Investigations

Investigation engagements are a systematic process of gathering evidence, conducting interviews, and analyzing records to determine if alleged civil or criminal violations of state or federal laws, or violations of U of I System policies and procedures occurred. The result of such engagements may support prosecution or disciplinary action.

Five investigative audits were completed.

Consulting and Advisory Services

Consulting and advisory engagements are services through which internal auditors provide advice to an organization's stakeholders without providing assurances or taking on management responsibilities. The scope and procedures involved in consulting engagements are either directed by management or agreed upon with management. Reporting for consulting engagements is generally made directly to management requesting the service. Advisory services are less formal in nature and may include providing counsel, advice, facilitation, and training.

Chicago

- Technology Solutions, Endpoint Management

Urbana-Champaign

- Labor Education Program
- Student Legal Services

Springfield

- UIS Advancement Expenditure Review

System-wide

- Analysis of Sick Leave Usage

Additionally, audit personnel contributed support and advisory services throughout the System by participating in the following:

Audit Leadership

- Audit, Compliance, ERM, and Risk Management Coordination Group
- Digital Risk Council
- Data Strategy Task Force-Data Governance and Management
- President's Management Council
- U of I Diversity Council Committee
- U of I System Executive Risk Management Council
- U of I System-wide Compliance Advisory Committee
- UI Enterprise Systems Governance Committee (ESGC)
- UI ESGC Finance Subcommittee
- U of I System AI Exchange Committee
- UIC Compliance Committee
- UIH Leadership Committee
- UIUC Business/IT Collaboration Group
- UIUC Campus Administrative Manual Committee
- UIUC Committee to Develop Student Organization Gift Fund and Expenditures Policy
- UIUC New Deans Meeting

Audit and Support Staff

- 2025 SPaRC Retreat/Training
- Business Administrator Path
- FCIAA Annual Internal Control Evaluation and Reporting System Training
- Information Technology Leadership Council – Infrastructure Committee
- Joint Commission/Centers for Medicare/Medicaid Services Compliance Committee
- System Offices Project Management Information System Group
- System-wide Business and Finance Symposium
- System-wide Committee on the Impacts of PIPL and Other Privacy Laws
- UIC Academic Fiscal Officers and Business Manager Group
- UIC AHS PT Compliance Group
- UIC Human Resources Advisory Council & Practice Group
- UIS Business Managers Group
- UIUC Business Managers Group
- UIUC IT Caffeine Break (weekly university IT topic discussion group)
- UIUC Security and Privacy Liaisons Group
- University Audits UIUC-Led Book Discussion Groups – Business and HR Professionals on Fraud and Other Professional Development Topics

Members of audit leadership meet regularly with the following key stakeholders:

Monthly:

- President
- Vice President, Chief Financial Officer and Comptroller
- Executive Vice President and Vice President for Academic Affairs

Quarterly:

- Audit, Budget, Finance, and Facilities Committee Chair (Quarterly at a minimum; generally, every other month)
- Treasurer of the Board of Trustees (Quarterly at a minimum; generally, every other month)
- University Counsel
- System Offices Chief Information Officer (CIO)
- Chief Digital Risk Officer
- UIC Chancellor and Vice President
- UIC CIO
- UIC Chief Information Security and Privacy Officer
- UIC Vice Chancellor for Finance
- Assistant Vice Chancellor of Health Information Technology
- U of I Hospital CIO
- UIUC Chancellor and Vice President
- UIUC Senior Vice Chancellor for Finance and Operations
- UIUC Executive Vice Provost for Academic Affairs
- UIUC Chief of Staff and Vice Chancellor for Administrative Strategy
- UIUC Associate Provost for Faculty Employee Relations
- UIUC Senior Vice Chancellor for Research and Innovation
- UIUC Executive Associate Vice Chancellor for Research and Innovation for Finance and Administration
- UIUC Associate Vice Chancellor for Research and Innovation for Compliance
- UIUC Vice Chancellor for Student Affairs
- UIUC Vice Chancellor for Advancement
- UIUC Associate Vice Chancellor of Advancement Operations, Chief of Staff
- UIUC Vice Provost for IT and CIOUIUC Deputy CIO, Chief Information Security Officer
- UIUC Assistant CIO for IT Planning and Outreach

Semiannually:

- Vice President for Economic Development and Innovation
- UIS Chancellor and Vice President

APPENDIX C

INTERNAL AUDIT CHARTER

Approved by Audit, Budget, Finance, and Facilities Committee September 18, 2024

PURPOSE

The internal audit function aims to strengthen the University of Illinois System's and its related organizations' (U of I System) ability to create, protect, and sustain value. It provides the Board of Trustees through its Audit, Budget, Finance and Facilities Committee (ABFFC) and management with independent, risk-based, and objective assurance, advice, insight and foresight.

The internal audit function enhances the U of I System's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The U of I System's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditors' (IIA) Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board of Trustees through its ABFFC.
- Internal auditors are free from undue influence and committed to making objective assessments.

MANDATE

The Fiscal Control and Internal Auditing Act (30 ILCS 10/Articles 1, 2, and 3) (FCIAA) is the state legislation which provides mandates for internal audit activities of state agencies. It is the policy of the State of Illinois that the chief executive officer of every State agency is responsible for effectively and efficiently managing the agency and establishing and maintaining an effective system of internal control. The U of I System, defined as a designated agency within and for the purposes of this Act, is required to maintain a full-time program of internal auditing. The President, as the chief executive officer of the U of I System, is responsible for the development and implementation of the program of internal auditing. The President has delegated the chief audit executive (positioned within the Office of University Audits), jointly with the Board of Trustees through its ABFFC, to establish guidelines which give direction to the overall internal audit function of the U of I System. This Charter constitutes these guidelines, and as developed and amended, will be transmitted to the President for concurrence and to the ABFFC for approval.

In accordance with FCIAA Article 2, the State of Illinois Internal Audit Advisory Board has adopted the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements, as the standard of performance to which all State internal auditors must adhere. The chief audit executive will report annually to the ABFFC and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Authority

The internal audit function's authority is created by its direct functional reporting to the President of the U of I System and the Board of Trustees through its ABFFC. Such authority allows for unrestricted access to the Board of Trustees and/or the ABFFC.

The President and the Board of Trustees through its ABFFC authorize the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance and/or other specialized services from within or outside the U of I System to complete internal audit services, as deemed necessary.

Independence, Organizational Position, and Reporting Relationships

The chief audit executive is positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive reports functionally to the President and the Board of Trustees through its ABFFC, and administratively to the Comptroller of the Board of Trustees, who is also the Vice President and Chief Financial Officer. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the ABFFC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the ABFFC, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguard employed to achieve the principle of independence. The chief audit executive will disclose to the ABFFC any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, the ABFFC, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the chief audit executive, composition of the ABFFC, and/or senior management.
- Significant changes to the U of I System's strategies, objectives, risk profile, or the environment in which the U of I System operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

ABFFC Oversight

The responsibilities of the ABFFC are outlined in the University of Illinois Audit, Budget, Finance and Facilities Committee Audit Function Charter.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the U of I System and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the U of I System's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the U of I System.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any U of I System employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to the chief audit executive at least annually. The chief audit executive will consider whether impairments should be reported to others and will do so as deemed necessary, including the ABFFC or management.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- Annually develop a flexible two-year risk-based internal audit plan that considers the input of the ABFFC and management. Discuss the plan with senior management and submit the plan to the ABFFC for feedback and concurrence. In accordance with FCIAA, submit the audit plan to the President in order for the President to approve by June 30 of each year.
- Report to the Board of Trustees and ABFFC by September 30 of each year the scope and results of audits and the adequacy of management's corrective actions.
- Communicate the impact of resource limitations on the internal audit plan to the ABFFC and senior management.
- Review and adjust the audit plan, as necessary, in response to changes in the U of I System's risks, operations, programs, systems, and controls.
- Communicate with the ABFFC and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the ABFFC and senior management on a quarterly basis for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the U of I System and communicate to the ABFFC and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the U of I System's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the ABFFC and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the ABFFC.

Communication with the ABFFC and Senior Management

The chief audit executive will report periodically to the ABFFC and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with the Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.

- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the ABFFC that could interfere with the achievement of the U of I System's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measures to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the ABFFC and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. Periodic internal and external assessments will be conducted under the guidelines provided by the State Internal Audit Advisory Board. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the U of I System. Qualifications must include at least one assessor holding an active Certified Internal Auditor® credential. Public sector competencies and knowledge as well as knowledge of the Global Internal Audit Standards should be considered when selecting external assessors.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all the activities, assets, and personnel of the U of I System which includes its related organizations, and organizations required to submit financial statements to the U of I System. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board of Trustees and management on the adequacy and effectiveness of governance, risk management, and control processes for the U of I System.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Advisory services may also include those less formal in nature such as providing advice, facilitation, and training. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the U of I System's strategic objectives are appropriately identified and managed.
- The actions of the U of I System's officers, directors, management, employees, and contractors or other relevant parties comply with the U of I System's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.

- Established processes and systems enable compliance with policies, procedures, laws, and regulations that could significantly impact the U of I System.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Internal audit engagements also include conducting or assisting in the investigation of significant suspected fraudulent activities within or against the U of I System and notifying management and the ABFFC of the results, as well as law enforcement as appropriate. In collaboration with the University Ethics Officer, the internal audit function conducts reviews and/or investigations of financial fraud-related allegations received by the University Ethics Office.

APPENDIX D

OFFICE OF UNIVERSITY AUDITS STRATEGIC PLAN SUMMARY

MISSION

The mission of the Office of University Audits is to provide independent and objective assurance, consulting/advisory, and investigation services to protect and strengthen the U of I System and its related organizations.

VISION

Be an innovative driver of positive change.

GUIDING VALUES

We perform all that we do with:

- Objectivity
- Independence
- Integrity
- Excellence
- Innovation
- Professionalism

STRATEGIC PRINCIPLES

1. Our Office will continue to cultivate relationships and understanding through communication with the Board of Trustees and senior leadership of the U of I System.
2. Serve as counsel to the Board of Trustees, the Audit Budget Finance and Facilities Committee, management, and other constituents.
3. Enhance audit effectiveness and efficiencies.
4. Provide a professional, well-trained, and motivated team in the delivery of internal audit services.
5. Perform audit activities by utilizing a dynamic, comprehensive audit process and plan based on assessed risk, in compliance with Institute of Internal Auditing Standards.

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