



Teachers' Retirement System of the State of Illinois

MINUTES Audit Committee August 3, 2011

A meeting of the Audit Committee of the Board of Trustees of the Illinois Teachers' Retirement System was held on August 3, 2011 at the Springfield office of the Illinois Teachers' Retirement System, 2815 West Washington Street. Janice Reedus, Chair, called the meeting to order at 11:09 a.m. A quorum was present.

Roll Call attendance was taken with the following committee members present: Janice Reedus (Chair), Bob Lyons (Vice Chair), Cinda Klickna, Cynthia O'Neill, and Mike Busby. Other trustees present: Sharon Leggett and Marcia Campbell.

Others present: Dick Ingram, Executive Director; Stan Rupnik, Chief Investment Officer; Tom Gray, General Counsel; Stacy Smith, Director of Internal Audit; Tassi Maton, Sr. Internal Auditor; Christina Baker, Internal Auditor; Kathleen Farney, Director of Research; Sally Sherman, Director of Member Services; Jana Bergschneider, Director of Administration; Dave Urbanek, Public Information Officer; Sue Billington, Executive Assistant; Tammy Green, Asst. to Executive Director; and Pat O'Hara, Cavanagh & O'Hara (Fiduciary Counsel).

Visitors present: Don Davis, IRTA Rep.; Dennis Murfin, IRTA Rep.; and Jack Tucker, IEA-R.

Minutes

A draft of the minutes from the May 19, 2011 Audit Committee was sent to the committee members for review. On a motion by Marcia Campbell, seconded by Cinda Klickna, and by unanimous voice vote, the minutes were approved as printed.

Internal Audit Reports

Staff provided summaries of the IS Systems Security, Disability Benefits, and the Purchasing, Contracting and Leasing audits. Documentation is on file.

Audit Completion Report

The committee received the FY 2011 Audit Completion Report which is required by the Fiscal Control and Internal Auditing Act. The report compares the FY 2011 audit plan to actual audits completed during the year, noting significant findings, and the extent to which the audit recommendations were implemented. All mandatory audits scheduled this fiscal year were completed. Documentation is on file.

Peer Review

The committee received a copy of the Internal Audit Department Self-Assessment with Independent External Validation Report issued by the State of Illinois Internal Audit Advisory Board. This report states that the TRS Internal Audit department conducted a quality assurance Self-Assessment with Independent External Validation of the internal audit activity for the period of January 1, 2009 through December 21, 2010. The internal audit activity generally conforms to the Institute of Internal Auditor's *Definition of Internal Auditing, Code of Ethics, and Standards* and compliance with the FCIAA. Documentation is on file. Steve Hayward, Director of Internal Audit for State Universities' Retirement System, performed the validation work. Stacy Smith, Director of Internal Audit for TRS, will perform the validation work for State Employees Retirement System and the Treasurers' Office.

Independence of Internal Audit Activity

Attribute Standard 1110 from the International Standards for the Professional Practice of Internal Auditing states that the chief audit executive must annually confirm to the board the organizational independence of the internal audit activity. A copy of an annual TRS Auditor Independence Statement is on file for each internal audit staff member. There are no potential conflicts of interest that could preclude them from carrying out the fiscal year audit activities. A questionnaire was added this year to the Independence Statement.

Quality Assurance and Improvement Program

Attribute Standard 1320 from the International Standards for the Professional Practice of Internal Auditing states that the chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board at least annually. The committee received a

copy of the FY 2011 quality assurance and improvement program checklist.
Documentation is on file.

ADJOURNMENT

On a motion by Mike Busby, seconded by Cinda Klickna, and by unanimous vote,
the meeting adjourned at 11:26 a.m.

Richard W. Ingram, Executive Director

Approved _____