

HB 1346

House Education Committee

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Chair Owens and Committee Members: My name is Dina Cashman, and I am the Interim Co-Director of Internal Audit at the North Dakota University System (NDUS). I am here today in support of H.B. 1346. The bill would create protections which do not currently exist for the working papers of internal auditors within the NDUS.

First, some background about my office may be helpful to your deliberations. NDUS Internal Audit has been staffed by between one and three internal auditors over the last several years, depending on personnel availability, and UND and NDSU have also engaged internal auditors. The NDUS's Internal Audit Charter specifies that NDUS Internal Audit reports functionally to the State Board of Higher Education's Audit Committee and administratively to the NDUS Chancellor. This reporting structure ensures independence from the administration of the University System office and its institutions. As part of our audit-related work, we regularly obtain and evaluate sensitive, exempt, or confidential information to carry out the function of Internal Audit.

Our work is made much more difficult because there are currently no protections for the working papers of NDUS's internal auditors, despite the confidentiality obligations imposed by the International Professional Practices Framework Code of Ethics. In effect, this means that the subject of an audit (or any member of the public) could make an open records request for our notes and working papers for any audit in progress, and we would have no choice but to produce the records, unless some other basis for withholding the records applies. As you can see, this places an auditor in a difficult position.

This body has previously recognized that the working papers of state-employed auditors are worthy of protection, as the State Auditor's Office's working papers are protected from disclosure by N.D.C.C. Section 54-10-26. H.B. 1346 uses almost the same language as Section 54-10-26 to give the NDUS internal auditors' working papers the same protections as those of the State Auditor's Office, and nothing more. Specifically, this bill would designate higher education internal auditors' working papers as confidential until a final report is issued. Working papers include records kept by

higher education internal auditors of the procedures applied, the tests performed, the information obtained, draft audit reports, and the preliminary conclusions reached in the engagement. Under H.B. 1346, higher education internal auditors have the discretion to make non-confidential working papers available for inspection before the final audit report. Once the audit report is issued, the working papers will be publicly available, if appropriate. In instances when higher education internal auditors' working papers contain sensitive, exempt, or confidential information, all or a portion of the working papers related to an issued audit report may be declared confidential in the discretion of the internal auditor. The declaration of confidentiality must state the reason for the confidentiality and the date when the working papers will be made public, if any.

This bill ensures that higher education internal auditors are able to comply with auditing principles while still ensuring maximum transparency to the public. Again, I would emphasize that H.B. 1346 provides no confidentiality protections beyond those already enjoyed by the State Auditor's Office. I respectfully request that the members of the Committee give this bill a "do pass" recommendation.

Thank you for your time and attention. I stand ready to answer your questions.