Members, Audit and Compliance Subcommittee:

PROPOSED REVISIONS TO INTERNAL AUDIT CHARTER

Recommendation: that the revisions to the Internal Audit Charter be approved effective June 10, 2014.


The proposed Internal Audit Charter is in response to the revised Audit and Compliance Subcommittee Charter approved on September 10, 2013. The proposed Internal Audit Charter is attached.
University of Kentucky 
Internal Audit Charter

Purpose
Internal Audit assists the University management, administration and the Board of Trustees in the effective discharge of their fiduciary and administrative responsibilities by providing independent, objective assurance and advisory services with respect to evaluating risk management, control, and governance processes. By monitoring areas of potential vulnerability and pursuing preventive measures, Internal Audit assists all members of the university community. Internal Audit has no authority over, nor direct responsibility for, any of the activities reviewed. The services performed by Internal Audit are assurance and advisory functions only, and in no way relieve business units of their responsibilities. To this end, Internal Audit will furnish University executive senior management (President, Executive Vice President for Finance & Administration, Executive Vice President for Health Affairs and Provost) with analyses, recommendations, counsel and information concerning the activities examined.

Standards
Internal Audit governs its activity based on The Institute of Internal Auditors’ mandatory guidance including the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. In addition, the Internal Audit function adheres to the University of Kentucky Ethical Principles and Code of Conduct and other internal professional policies. Each member of the department is expected to consistently demonstrate high standards of conduct as well as appropriate judgment, independence and discretion.

Authority
Internal Audit provides assurance and advisory services to all entities and affiliates of the University of Kentucky. Internal Audit activity should be independent and free from interference in determining the scope of audits, performing work and communicating results. This independence is ensured through Internal Audit’s reporting relationship to the President through the Executive Vice President for Finance and Administration and to the Audit and Compliance Subcommittee (ACS) of the Finance Committee of the Board of Trustees. In carrying out these responsibilities, Internal Audit personnel have unrestricted access to all data, records, files, property and personnel of the University. University employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.

Responsibilities of Internal Audit
1. Internal Audit Charter – At least annually, Internal Audit will review the Charter with the ACS for possible revisions based on industry standards; all charter revisions will be reviewed and approved by the ACS.

2. Work Plan - At least annually, Internal Audit will submit the Work Plan to the ACS for review and approval; any significant interim changes will also be submitted.

3. Progress Reports - Internal Audit will periodically provide a progress report summarizing audit activity to both University executive senior management and members of the ACS. In addition, Internal Audit will provide regular updates to the ACS regarding the effectiveness of the University’s system of internal controls and compliance with applicable laws, regulations and University policies.

4. Final Audit Reports – Internal Audit will issue final audit reports to a standard distribution list for appropriate communication of results including members of the ACS, University executive senior management and independent auditors.
5. Quality Assurance – Internal Audit will communicate to both University executive senior management and the ACS on Internal Audit’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

6. Collaborations - Internal Audit will work collaboratively with the University’s independent auditors so that efforts are not duplicated and resources are leveraged. Additional relationships and collaborations will be formed with other University functions to improve synergy.

Dr. Eli Capilouto  Date  William Britton  Date
University President  Chair, Audit and Compliance Subcommittee
University of Kentucky
Internal Audit Charter

Purpose
Internal Audit assists the University management, administration and the Board of Trustees in the
effective discharge of their fiduciary and administrative responsibilities by providing independent,
objective assurance and advisory services with respect to evaluating risk management, control, and
governance processes. By monitoring areas of potential vulnerability and pursuing preventive
measures, Internal Audit assists all members of the university community. Internal Audit has no
authority over, nor direct responsibility for, any of the activities reviewed. The services performed by
Internal Audit are assurance and advisory functions only, and in no way relieve business units of
their responsibilities. To this end, Internal Audit will furnish University executive senior
management (President, Executive Vice President for Finance & Administration, Executive Vice
President for Health Affairs and Provost) with analyses, recommendations, counsel, and information
concerning the activities examined.

Standards
Internal Audit governs its activity based on The Institute of Internal Auditors’ mandatory guidance
including the Definition of Internal Auditing, the Code of Ethics and the International Standards
for the Professional Practice of Internal Auditing. In addition, the Internal Audit function adheres to the
University of Kentucky Ethical Principles and Code of Conduct and other internal professional
policies. Each member of the department is expected to consistently demonstrate high standards of
conduct as well as appropriate judgment, independence and discretion.

Authority
Internal Audit provides assurance and advisory services to all entities and affiliates of the University
of Kentucky. Internal Audit activity should be independent and free from interference in determining
the scope of audits, performing work, and communicating results. This independence is ensured
through Internal Audit’s reporting relationship to the President through the Executive Vice President
for Finance and Administration and to the Audit and Compliance Subcommittee (ACS) of the
Finance Committee of the Board of Trustees. In carrying out these responsibilities, all Internal Audit
personnel have unlimited and unrestricted access to all data, records, files, property, and personnel of
the University. All University employees are requested to assist Internal Audit in fulfilling its roles
and responsibilities.

Responsibilities of Internal Audit

1. Internal Audit Charter – At least bi-annually, Internal Audit will review the Charter with
   the ACS for possible revisions based on industry standards; all charter revisions will be
   reviewed and approved by the ACS.

2. Work Plan – At least annually, Internal Audit will submit the Work Plan to the ACS for review and approval.
   Any significant interim changes to the Work Plan will also be submitted to the ACS for review and approval.

3. Progress Reports - Internal Audit will periodically provide a progress report summarizing
   audit activity to both University executive senior management, University senior
   administrators and members of the ACS. All University senior
   administrators and members of the ACS can receive any audit report
   upon request. In addition, Internal Audit will provide regular updates to the ACS regarding
4. **Final Audit Reports** – Internal Audit will issue final audit reports to a standard distribution list for appropriate communication of results including members of the ACS, University executive senior management and independent auditors.

2.5 **Quality Assurance** – Internal Audit will communicate to both University executive senior management, University senior administrators and the ACS on Internal Audit’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

3.6 **Collaborations** - Internal Audit will work collaboratively with the University’s independent auditors so that efforts are not duplicated and resources are leveraged. Additional relationships and collaborations efforts will be formed with other University assurance functions and process owners to improve synergy.

At least bi-annually, Internal Audit will review the Charter with the ACS for possible revision based on industry standards; all charter revisions will be reviewed and approved by the ACS.