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. At least bi-annually, Internal Audit will submit a revised Internal Audit Charter to the
ACS for review and approval.

2. Work Plan - At least annually, Internal Audit will submit the Work Plan to the ACSAudit
Subcommittee for review and approval. Any significant interim changes to the Work Plan
will also be submitted to the ACS Audit Subcommittee 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 Audit Subcommittee. All University senior
administrators and members of the ACS Audit Subcommittee can receive any audit report
upon request. 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.

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 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.