UK

UNIVERSITY OF

KENTUCKY®

Internal Audit

Audit and Compliance Subcommittee Introduction
December 17, 2013

Mission Statement

To support UK in its pursuit of excellence by providing advisory and assurance *guidance* to champion *reasonable assurance* regarding the achievement of *management objectives*.

UKIA is…

➢ An independent and objective function

➢ Responsible to UK Administration, and the Audit and Compliance Subcommittee

➢ Part of Corporate Governance

➢ Comprised of proficient professionals who strive to be of solid character with high morals and integrity

➢ Transparent

UKIA provides…

➢ Advisory and assurance services utilizing a systematic and disciplined approach

➢ Reasonable assurance versus absolute assurance

➢ Risk evaluations and mitigation strategies

➢ Counsel

UKIA is governed by…

University Regulations

1. Audit and Compliance Subcommittee Charter
2. UK Code of Conduct & Ethical Principles

Professional Standards

3. UKIA Charter
4. IIA Code of Ethics
5. Auditor Independence

UKIA Expectations

6. Responsibility Agreement
7. Professional Summary

Management Objectives

Financial Reporting
➢ Data Integrity

Operations
➢ Meeting Established Criteria

Information Systems and Security
➢ Information Confidentiality, Integrity & Availability

Compliance
➢ Regulatory Adherence

Strategic
➢ Alliance, Guidance and Instruction

Reasonable Assurance

Audit Selection Process

Identification
- Enterprise Divisions/Department
- Process/Activity/Procedure

Assessment Process
- Risk Factors
- Sub-criteria for Risk Factors

Audit Prioritization
- High, Medium and Low Risk
- Enterprise Audit Coverage

Resource Allocation
- Skill Set Determines Final Work
- Co-sourcing

Other Considerations

- Long-term or Strategic Plans
- Leadership Expectations
- Managerial Changes
- Partnerships and Collaborations
- Current Culture and Environment
- Industry Practices
- Immediate Priority

Reasonable Assurance

Provided through these services...

➢ Assessments

➢ Compliance Reviews

➢ Comprehensive Reviews

➢ Consultations

➢ Continuous Auditing

➢ Follow-up Reviews

➢ Information Technology Reviews

➢ Inquiries/Investigations

➢ Process Reviews

Report Elements

➤ Title Page

➤ Table of Contents

➤ Abbreviations

➤ Executive Summary

➤ Scope

➤ Observation/Investigation/Audit Summary

➤ Observations/Findings

➤ Recommendations

➤ Management Response

Report Elements

Executive Summary

➢ Why the unit/process was selected for review (e.g., Administration request, part of UKIA approved work plan, inquiry)

➢ Brief description of unit/process

➢ Summary of UKIA observations (i.e., risks found in the unit/process)

➢ Summary of how management has chosen to address the risks identified in the UKIA observations

Observations/Findings

➢ Observation summarizes an existing condition of concern

➢ Finding is a specific identified risk associated with a particular observation

Management Response

➢ How management plans to share, avoid, reduce or accept each identified risk. All responses are incorporated into Final Audit Report.

Final Report Communication

Client

As a courtesy, the completed audit report is first distributed to the client (auditee).

UK Administration

After client distribution, the completed audit report is distributed to UK Administration two to seven business days later. This includes:

- ➢ Office of Finance and Administration
- ➢ Office of the Executive Vice President for Health Affairs
- ➢ Office of the President
- ➢ Office of the Provost
- ➢ Office of the Treasurer
- ➢ Office of Legal Counsel
- ➢ UK Information Technology

Final Communication

After UK Administration distribution, the completed audit report is sent to UKIA's Standard Distribution List two to seven business days later. This includes the following:

- ➢ Client
- ➢ UK Administration
- ➢ Audit and Compliance Subcommittee Members
- ➢ External Auditors

Audit and Compliance Subcommittee Meeting Elements

- ## External Auditors
  - ➢ Scope of Work
  - ➢ Year-End Review

- ## Internal Auditors
  - ➢ Work Plan
  - ➢ Metric Update (see next slide)
  - ➢ Comply Line Update

- ## Other Business
  - ➢ Charters
  - ➢ GASB Update
  - ➢ Quality Assurance Review

UKIA Metrics

Efficiency Metrics

➢ **Productivity –** UKIA's productivity goal of 75% translates to actual hours of production. The productivity calculation is used to forecast individual audit assignments for the Annual Work Plan.

➢ **Infrastructure –** Direct hours associated with the improvement of UKIA infrastructure are tracked throughout the year. UKIA's goal is for 5% of direct hours to be spent on UKIA infrastructure projects for continuous improvement.

➢ **Audit Duration** –UKIA defines Audit Duration as the total time of UKIA's interaction with the client during planned reviews. It begins on the date of the initial client meeting and ends on the date of the presentation of audit results. UKIA's goal is to have an average audit duration of six to twelve weeks.

Effectiveness Metrics

➢ **Recommendations Accepted –** UKIA's goal is to have 3 out of every 4 recommendations requiring a response from management to be accepted. Recommendations are categorized as those that are accepted, those that are not accepted and those that do not require a management response.

➢ **Survey Results –** UKIA's goal is to achieve an average score of 3.0 out of 4.0 (on a scale of 1.0 – Not satisfied to 4.0 – Very satisfied). We at UKIA pride ourselves in personally maintaining a high level of customer satisfaction, thus client feedback is important. UKIA sends an electronic survey to measure satisfaction and obtain feedback. The results are sent back to UKIA to be recorded and analyzed. Follow-up interviews may be conducted.

Efficiency and Effectiveness Metric

➢ **Work Plan** – For each fiscal year, UKIA's goal is to have 100% completion rate of its approved Work Plan. UKIA continues to assess this metric to improve future performance.