

# ACSR 1

Office of the President  
June 10, 2014

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.

Background: The Audit Subcommittee approved the initial Charter on May 10, 2005. The Subcommittee revised the Charter on March 27, 2012 as a result of a recommendation set forth in the Quality Assessment Review of the Office of Internal Audit dated October 2009.

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.

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Action taken:     Approved       Disapproved       Other \_\_\_\_\_

## **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.

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Dr. Eli Capilouto  
University President

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Date

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William Britton  
Chair, Audit and Compliance Subcommittee

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Date

## University of Kentucky Internal Audit Charter

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~~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 ACS Audit 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

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Dr. Eli Capilouto  
Date  
University President

-Date

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- ~~William Britton~~ ~~James Stuekert~~

Chair, Audit and Compliance Subcommittee

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