

ACC 3

Office of the President
September 9, 2016

Members, Audit and Compliance Committee:

PROPOSED REVISIONS TO INTERNAL AUDIT CHARTER

Recommendation: that the revisions to the Internal Audit Charter be approved effective September 9, 2016.

Background: The Audit Subcommittee approved the initial Internal Audit Charter on May 10, 2005. The Audit Subcommittee approved the revised 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 Audit and Compliance Subcommittee approved the revised Internal Audit Charter on June 10, 2014 in response to the Audit and Compliance Subcommittee Charter revised on September 10, 2013.

The proposed revisions are in response to a proposed revision to the Audit and Compliance Committee Charter (Audit and Compliance Committee recommendation ACC 2, September 9, 2016 meeting.) Governing Regulation (GR) II, approved by the Board of Trustees at its September 2015 meeting, moved the Audit and Compliance Subcommittee from its subcommittee status of the Finance Committee to a regular standing committee of the Board.

Action taken: Approved Disapproved Other _____

University of Kentucky Internal Audit Charter

Purpose

Internal Audit is an independent and objective function which assists the University of Kentucky in the effective performance of their operational and fiduciary responsibilities with respect to proper internal controls. 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 management (President, Executive Vice President for Finance & Administration, Executive Vice President for Health Affairs and Provost) with analyses, recommendations, 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.

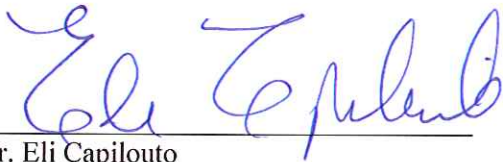
Authority

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 audit 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 Committee (ACC) 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.

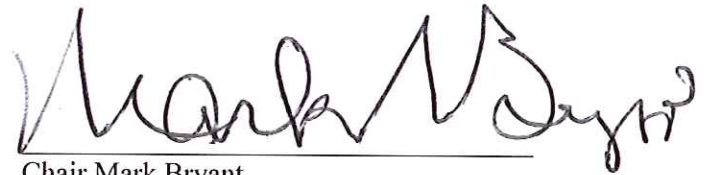
Responsibilities of Internal Audit

1. Internal Audit Charter — At least annually, Internal Audit will review the Charter with the ACC for possible revisions based on industry standards; all charter revisions will be reviewed and approved by the ACC.
2. Work Plan - At least annually, Internal Audit will submit its Work Plan to the ACC 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 management and members of the ACC. In addition, Internal Audit will provide regular updates to the ACC 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 ACC, University executive management and independent auditors.
5. Quality Assurance — Internal Audit will communicate to both University executive management and the ACC 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
University President



Chair Mark Bryant
Audit and Compliance Committee