

# ACC3

Office of the President  
February 22, 2019

Members, Audit and Compliance Committee:

APPROVE REVISIONS TO  
UNIVERSITY OF KENTUCKY INTERNAL AUDIT CHARTER

Recommendation: that the Audit and Compliance Committee approve revisions to the UK Internal Audit (UKIA) Charter effective February 22, 2019.

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 Audit and Compliance Committee approved the Internal Audit Charter on September 9, 2016.

The proposed revisions reflect UKIA's transition from an annual work plan to a risk-based, dynamic work plan and provide greater clarity regarding Internal Audit's mission and objectives, as well as its responsibilities and the standards by which it operates.

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

## **University of Kentucky Internal Audit Charter**

### **Purpose**

University of Kentucky Internal Audit (UKIA) is an independent and objective assurance and consulting function which assists units of the University of Kentucky in the effective performance of their operational and fiduciary responsibilities with respect to proper internal controls. UKIA aids in the achievement of management's objectives by reviewing areas of potential vulnerability and furnishing unit management and executive leadership (President, Executive Vice President for Finance and Administration, Executive Vice President for Health Affairs, and Provost) with expert analyses, information, and recommendations concerning the activities examined. UKIA has no authority over, nor direct responsibility for, any of the activities reviewed. The services performed by UKIA provide advisory assurance and guidance *only*, and in no way relieve these units of their responsibilities to achieve their unit's objectives in compliance with federal, state, and University regulations, policies, and procedures.

### **Standards**

UKIA governs its activity in accordance with 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. UKIA staff members will carry out the mission of the department by exhibiting professionalism, ethics, strong communication skills, and knowledge of federal, state, and University regulations. Each member of the department shall consistently demonstrate high standards of conduct, as well as appropriate judgment and discretion.

### **Authority**

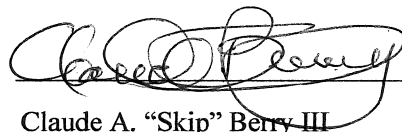
UKIA provides assurance and advisory services to all entities and affiliates of the University of Kentucky. UKIA's activity is independent and free from interference in determining the scope of audits, performing audit work, and communicating results. This independence is ensured through UKIA's reporting 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, UKIA personnel have unrestricted access to all data, records, files, property, and personnel of the University. Per *GR XIV, Ethical Principles and Code of Conduct*, University employees are required to assist UKIA in fulfilling its roles and responsibilities.

## Responsibilities of Internal Audit

1. Internal Audit Charter: At least annually, UKIA will review this Charter with the Audit and Compliance Committee (ACC) for possible revisions based on industry standards; all charter revisions will be approved by the ACC.
2. Audit Project Prioritization: At least quarterly, UKIA will submit its risk-based, dynamic Work Plan to the ACC for review and approval; any significant interim changes will also be submitted.
3. Progress Reports: At each ACC meeting, and other times as requested, UKIA will provide a progress report summarizing audit activity to both University executive management and members of the ACC. In addition, UKIA 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: UKIA will issue final audit reports to a distribution list devised for each audit communication to ensure appropriate communication of results. The distribution list of final audit reports shall always include members of the ACC, University executive leadership, and the University's independent external auditors.
5. Quality Assurance: UKIA will communicate its quality assurance and improvement program status, including results of ongoing internal assessments and external assessments conducted to both University executive leadership and the ACC at least annually.
6. Collaborations: UKIA will work collaboratively with the University's independent external auditors to ensure that efforts are not duplicated and resources are leveraged. Additional relationships and collaborations will be formed with other University functions for improved University operation and to promote the achievement of management objectives.



Dr. Eli Capilouto  
University President



Claude A. "Skip" Berry III  
Chair, Audit and Compliance Committee