

# ACC 1

Office of the President  
April 28, 2023

Members, Audit and Compliance Committee:

APPROVE REVISIONS TO  
AUDIT AND COMPLIANCE COMMITTEE CHARTER

Recommendation: that the Audit and Compliance Committee (ACC) approve revisions to the ACC Charter effective April 28, 2023.

Background: The Audit Committee approved the initial Charter on September 21, 2004. Since that time, the ACC has approved six revisions which have served to better define the ACC's composition and responsibilities as well as the responsibilities of UK Internal Audit (UKIA). These revisions are:

- Aligned the Charter with updates to the university's Governing Regulations
- Increased the allowable number of Committee members
- Detailed UKIA's accountability and advisory functions
- Specified an annual review of the Charter to determine whether revisions are needed
- Defined the circumstances under which members should recuse themselves from Committee activity

The first reading for the most recent revisions occurred at the February 16, 2023 meeting where the Deputy Accountability Officer and Audit Executive presented the changes with an explanation for each. The proposed revisions clarify UKIA's advisory and accountability functions and how they complement its assurance role. The revisions also explain which reports are provided to the ACC and outline the circumstances in which the reports are/are not provided to the committee.

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

## **University of Kentucky**

### **Charter of the Audit and Compliance Committee of the Board of Trustees**

#### **Purpose**

The Audit and Compliance Committee (ACC) provides oversight of the quality and activity of the university's auditing and accountability functions, including its assurance, accountability and advisory services, as well as external financial reporting. The ACC does not provide expert or special assurance regarding the university's financial statements.

In accordance with University Governing Regulation, Part II, Section E.2(c), the ACC:

- 1) Reviews, recommends and appoints the external auditors; and
- 2) Receives and reviews the annual financial reports and other information from the external auditors and reports on such to the Board of Trustees; and
- 3) Receives and reviews reports from the chief accountability officer and audit executive on the university's system of internal controls and compliance with applicable laws, regulations and university policy, and reports on such to the Board of Trustees.

#### **Authority**

The ACC's purpose is carried out with functional authority over the external and internal auditors and the authority to initiate investigations into any matters within its scope of responsibility as recorded in the section labeled 'Audit and Compliance Committee Responsibilities' on the following page. This includes providing final approval over the external audit work product and the internal audit work prioritization. UK Internal Audit's (UKIA) 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 in which the chief accountability officer and audit executive reports administratively to the president and functionally to the Audit and Compliance Committee of the Board of Trustees.

#### **Structure**

The ACC membership shall be composed of a minimum of three, and no more than nine, members from the Board of Trustees utilizing the standard nomination and appointment process for committee formation and chair selection. Per the University Governing Regulation, Part II, Section D.1, members should be independent of management and without business relationships that could interfere with the exercise of good judgment, disclosing any conflicts. At least one member of the ACC should have accounting or financial expertise.

#### **Meetings**

All members have the right to vote on matters that come before the Committee, except in those instances where a conflict of interest may be construed due to a relationship or affiliation with a college, unit, program, system and/or affiliated vendor or contractor being reviewed by UKIA. For such matters, the affected committee member(s) shall recuse themselves. Any dispute regarding independence should be reviewed by the Office of Legal Counsel for final resolution. All members are expected to attend each meeting; a quorum will be comprised of a simple majority of the total membership. The ACC may invite members of management, external or internal auditors or others to attend meetings and provide pertinent information.

## **Audit and Compliance Committee Responsibilities**

### **General Responsibilities**

- At least annually, the ACC will review this Charter and the Charter for UK Internal Audit and approve proposed revisions to the Charters that may be appropriate based on changes to industry standards, the university and/or UKIA responsibilities.
- Review any significant findings and recommendations together with the management action plans, and/or distributed audit reports of the external and internal auditors.
- As appropriate, report results and findings to the Board of Trustees.

### **Annual Financial Reporting Responsibilities**

- Review the planned audit scope of the financial reports with the external auditors and the university's senior administrators.
- Review the financial results for the year per the completed audit with the external auditors and the university's senior administrators.
- Review significant accounting and reporting issues, including complex or unusual transactions in highly critical areas and recent regulatory pronouncements and their impact on the financial statements.

### **External Auditors**

- Approve the selection or discharge of external auditors. The auditors' fees are to be negotiated by the executive vice president for finance and administration, or designee, and summarized annually for the ACC.
- Ensure continued quality and independence of external auditors by periodically examining internal quality-control reports or peer reviews of the firm. Additionally, review and confirm the external auditors' independence by obtaining statements from the auditors on any relationships between the auditors and the university.

### **Internal Auditors**

- Review the annual performance of UKIA.
- Review the objectivity, resources and overall effectiveness of UKIA including compliance with the International Standards of the Professional Practice of Internal Auditing and the core principles of the International Professional Practices Framework (IPPF).
- Review regular updates from the chief accountability officer and audit executive regarding the effectiveness of the university's system of internal controls and compliance with applicable laws, regulations and university policies.
- Review the UKIA budget and approve the UKIA Work Prioritization Plan.
- Make appropriate inquiries of management and the chief accountability officer and audit executive to determine whether there are audit scope or budgetary limitations that impede the ability of UKIA to execute its responsibilities.
- Review UKIA's performance related to enhancing operational efficiency and effectiveness, mitigating risk and ensuring data integrity through its accountability function.
- Approve all decisions regarding the appointment, performance or removal of the chief accountability officer and audit executive.