

ACC 1

Office of the President
December 1, 2025

Members, Audit and Compliance Committee:

REVISIONS TO AUDIT AND COMPLIANCE COMMITTEE CHARTER

Recommendation: that the Audit and Compliance Committee (ACC) approve revisions to the ACC Charter effective December 1, 2025.

Background: The ACC provides oversight of the quality and activity of the University's auditing and accountability functions. Accordingly, its charter must be updated on occasion to accurately reflect the regulatory environment, University policy and industry standards. The recommended changes:

- Incorporate language adopted in the University Governing Regulation II, The Board of Trustees
- Provide for the ACC to ensure that there are no impairments to independence that may preclude UK Internal Audit (UKIA) from fulfilling its mandate.
- Aligns this Charter with that of the UKIA Charter related to its work priorities.

The proposed revisions remove the stipulation that faculty, staff and students must be excluded from serving on the committee and instead define the circumstances under which members should recuse themselves to avoid a conflict of interest.

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 II, The Board of Trustees*, Section G.2., the ACC:

- 1) Reviews recommendations and appoints the external auditors;
- 2) Receives and reviews the annual financial and other reports from the external auditors and reports on such to the Board; and
- 3) Receives and reviews reports from persons with responsibility for accountability and compliance on the University's system of internal controls and compliance with applicable laws, regulations and University policy.

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 priorities.

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 II, The Board of Trustees*, Section F, all members must comply with the Kentucky Revised Statutes concerning conflicts of interest. 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 the 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 Institute of Internal Audit *Global Internal Audit Standards*
- 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 Priorities.
- 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 or impairments to independence that may preclude UKIA from fulfilling its mandate.
- 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.