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Office of the President
April 28, 2023

Members, Audit and Compliance Committee:

APPROVE REVISIONS TO
UNIVERSITY OF KENTUCKY INTERNAL AUDIT CHARTER

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

Background: The Audit Committee approved the initial Internal Audit Charter on May 10, 2005. Since that time, the ACC has approved six revisions to the UKIA Charter which have accounted for changes to UKIA's critical functions and processes. These revisions detailed UKIA's:

- New dynamic work prioritization plan
- Revised mission and objectives
- Expanded accountability and advisory functions
- Updated audit distribution process
- Self-assessment initiative
- Adjusted frequency and content of reports sent to the ACC

UKIA may proactively implement changes like those above prior to their formalization in the ACC and UKIA Charters when the timeliness of such changes greatly benefits the university.

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 to be provided to the ACC and outline the circumstances in which the reports are/are not provided to the committee.

Action taken: Approved Disapproved Other _____

University of Kentucky Internal Audit Charter

Purpose

UK Internal Audit (UKIA) provides independent and objective assurance, accountability and advisory functions which assist units of the University of Kentucky in the effective performance of their operational and fiduciary responsibilities with respect to proper internal controls. UKIA's assurance function aids in the achievement of management's objectives by reviewing areas of potential vulnerability and furnishing unit management and executive leadership (President's Cabinet) with expert analyses and recommendations to remediate the noted risks. The Accountability Office within UKIA shall work to enhance operational effectiveness, mitigate risk and ensure data integrity across the university by evaluating the control process, policy effectiveness, compliance, performance against established metrics and the implementation of strategies to remediate the observations noted in completed audits. The advisory function works with units upon request to leverage available resources to maximize their productivity and help them achieve their goals.

Additionally, UKIA offers consulting services to validate the governance, fiscal stewardship and processes related to new and/or expanding units, programs or systems. UKIA has no authority over, nor direct responsibility for, any of the activities reviewed. The services performed by UKIA provide assurance and advice only, and in no way relieve these units of their obligation to achieve their unit's objectives at minimum risk to the university and 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, the International Standards for the Professional Practice of Internal Auditing and Core Principles for the Professional Practice of Internal Auditing. In addition, the Internal Audit assurance, accountability and advisory functions adhere to the University of Kentucky Governing Regulation XIV 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, advisory and consulting services to all entities and affiliates of the University of Kentucky. For engagements related to entities outside of the university's jurisdiction, UKIA shall communicate in writing the objective, scope, responsibilities and other pertinent expectations. 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. The Chief Accountability Officer and Audit Executive reports directly to the President 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. These responsibilities are in conformance with International Professional Practices Framework implementation guidelines.

Responsibilities of Internal Audit

1. Internal Audit Charter: 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 annually, 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: Quarterly, 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 its metrics and its other activities, as well as the effectiveness of the University's system of internal controls and compliance with applicable laws, regulations and university policies.
4. Final Audit Reports: To ensure transparency and appropriate communication of results, UKIA will devise a unique distribution list for final audit reports. Such distribution lists shall always include executive leadership and stakeholders. Additionally, the members of the ACC and independent external auditors shall receive all final audit reports, with the exception of results regarding procedural infractions that incur low risk to the university, inquiries that are not substantiated and elevated to investigation status and consultations.
5. Quality Assurance: UKIA will undertake a Quality Assessment Review by qualified external consultants every five years, or as recommended by the Institute of Internal Auditors, to be in compliance with the International Standards of the Professional Practice of Internal Auditing. The results of these reviews will be communicated to the ACC at the first meeting following the receipt of the results. UKIA will also report out on metrics used to gauge efficiency and effectiveness as a regular means of monitoring quality.
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 to improve operations across the enterprise and to promote the achievement of management objectives.
7. UKIA's Accountability Office shall work to enhance operational effectiveness, mitigate risk and ensure data integrity across the university by evaluating regulatory compliance, monitoring performance against established metrics and validating the remediation of concerns noted in completed audits. To promote transparency, communication regarding these activities will also be assessed and adjusted as appropriate.
8. UKIA's Advisory Services: UKIA will help advance the university's mission by providing business expertise to all units upon request to help them improve operational efficiency and achieve their goals through expert analysis, benchmarking and other insights. Implementation and execution of these opportunities are the unit's responsibility.