

Meeting Minutes of the Audit and Compliance
Committee University of Kentucky
Thursday, June 18, 2020

The Audit and Compliance Committee (ACC) of the University of Kentucky Board of Trustees met on Thursday, June 18, 2020, via Zoom Webinar.

I. Call to Order

Chair Claude “Skip” Berry III called the meeting to order at 2:16 p.m.

II. Roll Call

The following members of the ACC were in attendance: Claude “Skip” Berry III, Kimberly Scott McCann, Elizabeth McCoy, Derrick Ramsey, and Sandra Shuffett.

III. Approval of Minutes

Chair Berry reported that the minutes of the May 4, 2020 ACC meeting had been distributed. Trustee McCoy moved for approval of the minutes, and Trustee McCann seconded the motion. The minutes from the May 4, 2020 ACC meeting were approved as presented.

IV. Reports and Discussion Items

A. UKIA FY2019-20 Third Quarter Activity Update

Chair Berry introduced Joe Reed, Chief Audit Executive (CAE) of the University of Kentucky Internal Audit (UKIA) Department to discuss UKIA’s third-quarter activity update. This update included the past nine months of activities, along with all currently engaged activities.

Mr. Reed began by discussing UKIA’s Work Prioritization Plan, which consists of 12 processes, six units, and three applications. Mr. Reed discussed the 20 business risk factor components that are involved in engaging a review. These risk factor components are numbered one through 20 (for example, media coverage is number one, customer type is number two.) Mr. Reed then reviewed UKIA’s existing activities which included 60 total projects, 32 of which were completed, 20 were in-progress, and eight were pending. Of those in-progress, nine were comprehensive reviews, one was a consultation, two were follow-up reviews, one was an information technology review, and seven were investigations/inquiries.

Chair Berry then introduced UKIA’s Audit Director, Martin Anibaba, to discuss UKIA’s organizational independence. Mr. Anibaba stated that UKIA reports administratively to the Executive Vice President for Finance and Administration and UKIA reports functionally to the ACC, which approves UKIA’s Work Plan, receives reports from the CAE on UKIA’s performance, approves decisions regarding the appointment and removal of the CAE,

assesses scope or resource limitations which may inhibit proper reviews, approves the UKIA charter, and reviews the budget. The purpose of having a dual reporting structure is to maintain independence to complete the audit functions responsibilities without pressure.

V. New Business Items

A. Work Prioritization Plan FY2020-21

Mr. Reed introduced UKIA's Work Prioritization Plan for FY2020-21. He stated that the Plan is developed in compliance with professional standards and abides by UK policies, UKIA protocols, and takes into account information retrieved from the Audit Universe. The Institute of Internal Auditors International Professional Practices Standard states that the CAE "must establish a risk-based plan to determine the priorities of the internal audit activity that is consistent with the organization's goals." Mr. Reed then discussed UKIA's Charter, which outlines its purpose, standards, authority, and responsibilities. Mr. Reed highlighted the responsibilities section which states that, at least quarterly, UKIA will submit its risk-based, dynamic Work Plan to the ACC for review and approval.

Mr. Reed discussed the risk assessment results which are divided among the six enterprise divisions. The initial risk assessment phase is sorted into seven business risk factors, which include Public Exposure, External Factors, Materiality, Audit Duration, Control Environment I, Control Environment II, and Management Requests. Mr. Reed explained how the risks are weighted using the examples of the Academics and UK HealthCare enterprise divisions to determine final results. For Academics, Control Environment II was weighted highest at 20%; Public Exposure and External Factors were weighted next highest at 17.5%; Control Environment I was 15%, and Materiality, Audit Duration, and Management Requests were each weighted 10%. In contrast, for UK HealthCare, Public Exposure was weighted highest, at 20%; External Factors were weighted 17.5%; Materiality, Control Environment I and II were each weighted 15%; Audit Duration was weighted 10%; and Management Requests were weighted 7.5%.

Mr. Reed continued by discussing UKIA's Audit Universe and providing examples of information that were included, such as units (i.e., UKIA), processes (i.e., the audit process), and applications (i.e., HighBond). Mr. Reed then provided a list of high-ranking results in the Audit Universe for processes and applications. Mr. Reed clarified that high rankings do not always equal an engagement, because there are other factors that go into engaging a unit. Mr. Reed spoke about UKIA's audit coverage for these processes, units, and applications, which demonstrate UKIA's efforts.

Mr. Reed stated that UKIA's Work Prioritization Plan focusing on adding value, protocol adherence, and determining priorities. Mr. Reed then submitted UKIA's Work Prioritization Plan for approval, which can be found on the Board of Trustees website. Mr. Reed concluded by saying that UKIA's Work Prioritization Plan allows them to be agile, transparent, effective, and efficient.

Chair Berry asked for a motion to approve ACC1, the approval of UKIA's FY2020-21 Work Prioritization Plan. The motion was made by Trustee McCoy, seconded by Trustee McCann, and the motion carried.

VI. Other Business

Trustee Britt Brockman praised UK Internal Audit, stating, "I would like to say, as a parting gesture to Joe Reed and his staff, how impressed I am with the vital function and the professionalism that they perform for the University of Kentucky... This function of audit and oversight is as important as the function of hiring and firing the Chief Executive Officer."

VII. Adjournment

With no further business to come before the Committee, Chair Berry asked for a motion to adjourn. The motion was made by Trustee Ramsey and seconded by Trustee McCoy. The motion carried, and the meeting was adjourned at 2:58 p.m.

Respectfully Submitted,

Alan Wood
Editorial Assistant
UK Internal Audit