

Meeting Minutes of the Audit and Compliance Committee
University of Kentucky
Wednesday, June 16, 2021

The Audit and Compliance Committee (ACC) of the University of Kentucky Board of Trustees met on Wednesday, June 16, 2021.

I. Call to Order

Chair Claude “Skip” Berry III called the meeting to order at 1:02 p.m.

II. Roll Call

The following members of the ACC were in attendance: Claude “Skip” Berry III, Joe R. Bowen, Michael A. Christian, Kimberly S. McCann, Elizabeth McCoy, Paula L. Pope, Sandra R. Shuffett, Derrick Ramsey and Bryan Sunderland.

III. Approval of Minutes

Chair Berry reported that the minutes of the May 3, 2021, ACC meeting had been distributed. Trustee McCoy moved for approval of the minutes, and Trustee Sunderland seconded the motion. The minutes were approved as presented.

IV. Reports and Discussion Items

A. UK Internal Audit (UKIA) Strategic Plan 2021-2025

Chair Berry introduced Chief Accountability Officer and Audit Executive Joe Reed to discuss UKIA’s strategic plan for the next four years. Mr. Reed reported that their latest quality assessment review noted that UKIA needed a strategic plan, and consequently they immediately embarked on creating one. This process began with the managers performing a SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis during a brainstorming session. Mr. Reed explained that they organized the results into five categories and formed a team for each: project planning, budgeting, recruitment and retention, professional development and onboarding. Staff members were then allowed to choose the topic on which they wanted to work.

Mr. Reed went on to explain that each team proposed three action items to be included in the strategic plan. A survey was then created with the 15 proposed items and each team member was asked to prioritize these items. The top seven proposals were selected to be in the strategic plan and the teams were asked to create a timeline and action plan to denote when these projects would be completed and how. Mr. Reed noted that the seven chosen projects were recruitment, retention, onboarding, workflow and information management systems, training and professional development, project forecasting and project planning. These initiatives were then compiled into four major categories: 1) our people, which focused on recruitment, retention and onboarding, 2) our skills, which focused on training and professional development, 3) our tools, which consisted of workflow and

information management applications and 4) our products, which focused on improving project planning. Mr. Reed then explained the timelines for the action items, which ranged from three months for recruitment to 24 months for workflow and information management application.

Mr. Reed then introduced Audit Director Martin Anibaba to discuss UKIA's nine services, and how they relate to the strategic plan. Mr. Anibaba explained that the comprehensive audit is the biggest service that UKIA offers because of how long and thorough it is. He progressed by discussing UKIA's strategic alignment which consists of a horizontal alignment, where UKIA goes into a department and looks at the components and how they align with UK's strategic plan. The vertical alignment looks at the unit's critical success factors and key performance indicators to see how they are doing. He finished by stating that UKIA plans to present its strategic plan progress moving forward to the Board of Trustees.

Trustee Pope then asked if UKIA had people assigned to these action tasks so that there is accountability, to which Mr. Anibaba replied that UKIA does have teams that are responsible for each task. Trustee Ramsey asked about UKIA's onboarding and the level of turnover in the department. Mr. Anibaba stated that turnover happens, however, there are vertical growth opportunities for the members of UKIA which have helped with retention. Trustee McCoy added that there is a natural turnover for these positions and Trustee Ramsey commented that in his experience, apprenticeship is highly beneficial to retain employees.

V. New Business Items

A. Risk Assessment and Work Prioritization FY 2021-22

Chair Berry then gave the floor back to Mr. Reed to discuss UKIA's risk assessment and work prioritization plan for FY 2021-22. Mr. Reed explained that UKIA's work prioritization plan is presented to the ACC annually for its approval. Mr. Reed stated that the plan is broken down into six areas, 1) inquiries, 2) units, 3) information systems, 4) processes, 5) follow-ups and 6) other activities and is dynamic. "As a result, this plan is not just reactive, but it is proactive as well to provide reasonable assurance to the university," he explained. Mr. Reed also noted that UKIA is process-oriented for the entire university and is the process owner for the audit function. Mr. Reed then discussed UKIA's audit universe and explained how information comes in and how it is processed. He explained that "the information that is output are the risks which are then rated and used to determine the processes, areas or systems on which UKIA will focus its reviews."

Mr. Reed then elaborated on UKIA's seven business risk factors, which include 1) public exposure, 2) external factors, 3) materiality, 4) audit interval, 5) control environment I, 6) control environment II and 7) management requests. Each of these factors are then broken into 20 risk components. Mr. Reed then provided examples for each of the risk factor components. "The components for public exposure include media coverage, customer type, current affairs and program visibility. The components of external factors include state regulations, federal regulations and industry compliance. Materiality components include the source of revenue, transaction volume, budget breakdown and transition complexity.

Audit interval includes internal and external audits, along with other audits. Control Environment I includes operations, event identification and key position turnover rate. Control environment II includes information systems and data centers. Finally, management requests are those made by university management.” Mr. Reed continued by discussing other risk assessment considerations, such as the current environment, industry events, UK’s strategic plan, university resources, UKIA’s expertise, previous audit activities and regulatory concerns.

Trustee Bowen asked how many different audits are occurring at one time. Mr. Reed answered that UKIA has approximately 25 projects going on at one time. Trustee Young asked if UKIA was confident in the tools that it uses and what UKIA does to validate the results. Mr. Reed explained that the tools UKIA uses are standard industry tools that are quite reliable and that UKIA has protocols that it goes through to validate any anomalies.

i. ACC1 – Approval of UKIA Fiscal Year 2021-22 Work Prioritization Plan

Chair Berry introduced ACC1, UKIA’s Work Prioritization Plan, to be voted on by the ACC. The motion was made by Trustee McCann and seconded by Trustee Ramsey. The motion carried.

VI. Adjournment

With no further business to come before the Committee, the meeting was adjourned at 1:58 p.m.

Respectfully Submitted,

Alan Wood
Assistant Editor
UK Internal Audit