

**MINUTES OF THE AUDIT AND COMPLIANCE SUBCOMMITTEE  
OF THE FINANCE COMMITTEE  
University of Kentucky Board of Trustees  
May 9, 2014, 9:00 am  
Suite A, 18<sup>th</sup> Floor Patterson Office Tower**

**Subcommittee Members Present**

Bill Britton, Chair, Jim Booth, Angela Edwards, Keith Gannon, Bill Gatton, David Hawpe and Jim Stuckert

**Approval of Minutes**

The minutes of the April 1, 2014 Audit and Compliance Subcommittee (ACS) meeting were approved as presented.

**Reports and Discussion Items**

UK Internal Audit (UKIA) Charter Revision

Chair Britton noted that the ACS Charter had been revised several months ago, and the UKIA Charter is being updated to reflect this revision. Mr. Joe Reed, Internal Audit Senior Director, reviewed the proposed revised UKIA Charter. Mr. Reed highlighted the following major revisions by Section:

- Purpose: “President” was added as a member of University executive senior management to mirror other University documents.
- Standards: No change.
- Authority: Changed the Committee name to the “Audit and Compliance Subcommittee” along with minor editing.
- Responsibilities of Internal Audit: Mr. Reed noted that the number had changed from three to six.
  1. Internal Audit Charter: This was added to require that the UKIA Charter be reviewed annually for possible revision.
  2. Work Plan: Minor editing only.
  3. Progress Reports: The language about audit reports was taken from this responsibility and added as a separate responsibility (see 4 below).
  4. Final Audit Reports: This was added (see 3 above).
  5. Quality Assurance: This was added to require UKIA to communicate regarding its quality assurance and improvement program, including results of external assessments conducted at least every five years.
  6. Collaborations: Minor editing only.
- Signatures: The UKIA Charter is not signed by the current ACS Chair, William Britton. The necessary change was made.

Discussion followed. The ACS will vote on the proposed revised UKIA Charter at the next meeting.

## UK Internal Audit Update

Mr. Reed then reported on the Risk Assessment Process which will lead to the FY 2015 Work Plan. The *Internal Audit Risk Assessment Process* handout included the purpose, timeline, framework, analysis/computations and next steps.

- FY 2015 Risk Assessment Process for Work Plan:
  - Purpose: To prioritize FY 2015 activities for the Work Plan creation.
  - Timeline: The FY 2015 risk assessment occurs from February through April of 2014.
  - Framework: The necessary progression steps starting with the Audit Universe, risk factors, risk scoring and concluding with audit trending (concerns).
  - Analysis/Computations: The Audit Universe is an Access Database containing information from various sources. The Audit Universe relates to University Units, Processes and Applications containing possible concerns gathered from these various sources.
    - UKIA uses five business risk factors to score the Units and Processes: (1) Public Exposure, (2) Control Environment, (3) External Regulation, (4) Materiality and (5) Last Audit.
    - Once scored, the Units and Processes are sorted in descending order.
    - Concerns from high risk areas are reviewed for trending.
    - FY15 Audit Focus (Trending Concerns) for (1) Business Operations and (2) Information Systems
  - Next Steps: FY 2015 Work Plan creation for review and approval at the next meeting.
- FY 2014 Activity Update as of March 29, 2014:
  - Mr. Reed noted that the first quadrant represents the FY 2014 UKIA Amended Approved Work Plan; all audit projects have been engaged.
  - Mr. Reed reported that the second quadrant represents the FY 2014 Unplanned Reviews that have been engaged.
  - Mr. Reed reviewed the third quadrant that lists the FY 2014 UKIA Audit Coverage by Enterprise Division, including the number of projects and project hours.
  - The fourth quadrant lists the FY 2014 UKIA Metric Update. Mr. Reed reported that UKIA continues to achieve five of the six metrics as of March 29, 2014. The Work Plan Completion metric is not being achieved due to unplanned activity. Discussion ensued regarding the FY 2014 Work Plan completion.

There being no further business, the meeting was adjourned.

### **Next Meeting**

Tuesday, June 10, 2014

- Internal Audit FY 2015 Work Plan Review/Approval
- Internal Audit Charter Revision Review/Approval

Respectfully submitted,

Catherine Miller