UNIVERSITY OF KENTUCKY BOARD OF TRUSTEES

Martin Anibaba, Deputy Accountability Officer and Audit Executive

NEW INSTITUTE OF INTERNAL AUDITORS GLOBAL STANDARDS AND QUALITY ASSURANCE REVIEW

University of Kentucky

2024 GLOBAL INTERNAL AUDIT STANDARDS FRAMEWORK

Released
Jan. 9, 2024

Effective
Jan. 9, 2025

The 2024 Global Internal Audit Standards Framework will enrich the Internal Audit (IA) function:

Enhanced Oversight

- Enables UKIA to better anticipate and address evolving risks.

- Fosters greater trust among the board, executive management, external entities and other relevant stakeholders, strengthening our credibility.

Improved Quality

- Positions UKIA to help the university adapt to changing risks and operational challenges.

- Promotes development of enhanced internal controls and improved compliance with regulations across the enterprise.

- Facilitates long-term success by clearly identifying potential obstacles and opportunities to assist with strategic planning.

Efficient and Effective Operations

- Decreases operational costs by optimizing resource allocation and reducing redundancies.

- Increases overall productivity by streamlining processes to focus on key tasks.

- Supports a more agile response to new opportunities and challenges.

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2017 IPPF

- Included five mandatory elements and implementation and supplemental guidance.

- Focused on a set of attribute and performance standards with clear definitions and guidelines.

- Addressed stakeholder communication but in a more traditional context.

- Recognized technology's role but with limited guidance.

2024 Global Internal Audit Standards

Domain 1: Purpose of Internal Auditing

The purpose statement is intended to assist internal auditors and internal audit stakeholders in understanding and articulating the value of internal auditing

Domain 2: Ethics and Professionalism

- Principle 1: Demonstrate integrity
- Principle 2: Maintain objectivity
- Principle 3: Demonstrate competency
- Principle 4: Exercise due professional care
- Principle 5: Maintain confidentiality

Domain 3: Governing the Internal Audit Function

- Principle 6: Authorized by the Board
- Principle 7: Positioned independently
- Principle 8: Overseen by the Board
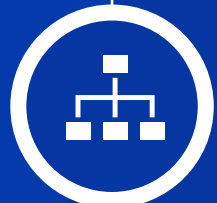
Domain 4: Managing the Internal Audit Function

- Principle 9: Plan strategically
- Principle 10: Manage resources
- Principle 11: Communicate effectively
- Principle 12: Enhance quality

Domain 5: Performing Internal Audit Services

- Principle 13: Plan engagements effectively
- Principle 14: Conduct engagement work
- Principle 15: Communicate engagement results and monitor action plans

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UKIA'S PROGRESS TOWARD IMPLEMENTATION OF 2024 GLOBAL INTERNAL AUDIT STANDARDS

Domain 1: Purpose of Internal Auditing

Domain 2: Ethics and Professionalism

Domain 3: Governing the Internal Audit Function

Domain 4: Managing the Internal Audit Function

Domain 5: Performing Internal Audit Services

UKIA Achieved early adoption of the global standards:

- **Domain 2:**
  - Professionalism and ethics standards already implemented.
- **Domain 3:**
  - Independent governance structure and authority already established.
- **Domain 4:**
  - Strategic plan already developed and regularly updated
  - Resources are regularly assessed and adjustments made, as necessary.
  - UKIA will be hiring a Quality Coordinator to assist with QAR readiness.
- **Domain 5:**
  - Engagements are planned, conducted and communicated effectively to the client.
  - Progress toward implementation of Management Action Plans is consistently monitored and assistance is provided/coordinated as needed.

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UKIA is also required to undergo an external Quality Assessment Review every five years to assess our performance, the next of which will be based on these new standards.

History

2007 — Readiness assessment

2009 — Generally conforms*

2014 — Generally conforms*

2020 — Generally conforms*

2026 — TBD

*the highest possible rating

University of Kentucky Internal Audit

It is our overall opinion that University of Kentucky Internal Audit generally conforms with the *Standards* and the IIA Code of Ethics.
This level of conformance is the top rating and demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing

Governance			Staff			Management			Process	
Standard	Rating		Standard	Rating		Standard	Rating		Standard	Rating
1000	GC		1200	GC		2000	GC		2200	GC
1100	GC					2100	GC		2300	GC
1300	GC					2450	GC		2400	GC
Code of Ethics	GC					2600	GC		2500	GC

Thank you for the opportunity to be of service to University of Kentucky Internal Audit. We will be pleased to respond to further questions concerning this report and furnish any desired information.

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IIA Quality Services, LLC

To achieve this rating, the Institute of Internal Auditors, which conducted this review, stated that UKIA "demonstrates a clear intent and commitment to achieving the Core Principles and the Definition of Internal Auditing… Their ability to adapt and be responsive to change, combined with their ability to leverage insight on risks impacting the organization into focused audit plans, will continue to be critical to their success and value to UK."

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INTERNAL AUDIT CAPABILITY MATURITY MODEL

Maturity Level	Services and Role of IA	People Management	Professional Practices	Performance Management and Accountability	Organizational Relationships and Culture	Governance Structure
Level 5 — Optimizing	IA recognized as a key agent of change.	• Leadership involvement with professional bodies • Workforce projection	• Continuous improvement in professional practices • Strategic internal audit planning	• Reporting of internal audit effectiveness	• Effective and ongoing relationships	• Independence, power and authority of IA activity
Level 4 — Managed	Overall assurance on governance, risk management and control	• IA contributes to management development. • IA supports professional bodies and workforce planning.	• Audit strategy leverages organization's management of risk.	• Integration of qualitative and quantitative performance measures	• CAE advises and influences top-level management.	• Independent oversight of IA activity • CAE reports to top-level authority.
Level 3 — Integrated	Advisory services and performance and value-for-money audits	• Team building, competency, qualified staff and workforce coordination	• Quality management framework and risk-based audit plans	• Performance measures, cost information and IA management reports	• Coordination with review groups integral component of management teams	• Management oversight of IA activity • Funding mechanisms

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INTERNAL AUDIT CAPABILITY MATURITY MODEL

Maturity Level	Services and Role of IA	People Management	Professional Practices	Performance Management and Accountability	Organizational Relationships and Culture	Governance Structure
Level 2 — Infrastructure	Compliance auditing	• Individual professional development • Skilled people are identified and recruited.	• Professional practices and process framework • Audit plan is based on management and stakeholder priorities.	• IA operating budget and business plan	• Managing within IA activity	• Full access to organization's information, assets and people • Reporting relationships established
Level 1 — Initial	• Ad hoc and unstructured; isolated single audits or reviews of documents and transactions for accuracy and compliance; outputs dependent upon the skills of specific individuals holding the position; no specific professional practices established other than those provided by professional associations; funding approved by management, as needed; absence of infrastructure; auditors likely part of a larger organizational unit; no established capabilities; therefore, no specific key process areas.					

QUESTIONS

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UK INTERNAL AUDIT MISSION STATEMENT

To support UK in its pursuit of excellence by providing expert analyses and advice to champion the achievement of institutional objectives.

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