



## **Port of Seattle Internal Audit Department Charter**

### **I. INTRODUCTION**

The Port of Seattle maintains an active internal audit function that has a dual reporting responsibility. This Charter defines the Internal Audit Department's authority and accountability; mission and scope; responsibility; independence and objectivity; and commitment to quality.

### **II. AUTHORITY AND ACCOUNTABILITY**

The Internal Audit Department derives its authority from the Port of Seattle Commission. The Audit Committee represents the Commission and provides review and oversight authority on matters relating to the Port's internal control environment. Two Port Commissioners serve as members of the Audit Committee. In discharging their duty, the Internal Audit Director and his or her staff are accountable to the Audit Committee and to the Executive Director.

Internal Audit conducts audits and reviews of Port departments, programs, functions, systems, contracts, and activities based on the department's approved audit plan or specific requests that have been approved by the Audit Committee.

The Director and his or her staff are authorized to:

- Have full, free and unrestricted access to all Port functions, activities, personnel, records, property, and other relevant materials necessary to accomplish their work.
- Access information from contracted third parties and handle the information in accordance with contractual terms.
- Handle documents provided to Internal Audit in the same prudent manner as by those employees who are normally accountable for them.
- Have full access to the Audit Committee and to the Port Commission, as needed.
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the Port where they perform audits, as well as other specialized services from within or outside the Port.
- Report issues related to the processes for controlling the activities of the Port and its tenants, customers and vendors, including potential improvements to those processes, and provide information concerning such issues through resolution.

### III. MISSION AND SCOPE OF WORK

The Internal Audit Department's mission is to conduct independent, objective, risk-based audits, of the Port's operations, activities, and vendors. Audits add value by helping advance the Port's mission, and result in:

Financial Stewardship	Safeguarding of public resources through detection and deterrence of fraud, waste, and abuse.
Accountability	Complying with laws and regulations; meeting strategic and operational performance goals.
Transparency	Clear and accurate information provided to our stakeholders and to the public.
Governance	Stronger oversight and enhanced decision making.
Operational Excellence	Enhanced efficiency and effectiveness of management practices.

A key part of the Internal Audit Department's scope of work is to determine whether the Port's network of controls, as designed and represented by management, are adequate and functioning effectively.

Opportunities for improving management control, streamlining processes, and improving public perception may be identified during audits. These will be communicated to the appropriate level of management.

Internal Audit also conducts advisory services (consulting) where the internal audit staff's expertise is leveraged to provide recommendations on improving processes and practices.

### IV. RESPONSIBILITY

#### A. The Director and His or Her Staff Have Responsibility To:

- Develop a flexible annual audit plan using an appropriate risk-based methodology; include any risks or control concerns identified by management and submit that plan to the Audit Committee for review and approval.
- Implement the annual audit plan, as approved by the Audit Committee, including any special tasks or projects requested by management and the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certifications to meet the requirements of this Charter.
- Establish a quality assurance program, by which the Director monitors the operation of internal audit activities. Additionally, obtain an external peer review at least once every three years.
- Provide advisory services (consulting) beyond core audit services, to assist management in meeting its objectives (e.g., facilitation, process design, training), provided the services do not impair the auditor's independence.
- Evaluate and assess significant functions and new or changing services, processes,

operations, and control processes coincident with their development, implementation and/or expansion.

- Issue quarterly reports to the Audit Committee and management summarizing results of audit activities.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide information periodically on the status and results of the annual audit plan, and the sufficiency of department resources.
- Assist in the investigation of suspected fraudulent activities within the organization and notify management of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Follow up on audits to assure agreed-upon corrective actions have been taken.
- Exercise due professional care in the conduct of the audits.
- In March of every year, the Director will provide to the Audit Committee, the mandatory annual communication required by the Institute of Internal Auditors' (IIA) standards; specifically, on organizational independence, the department charter review, and the results of the last departmental quality assurance program.

#### **B. Port Management is Responsible To:**

- Maintain an effective system of internal controls, document policies and procedures, and assure information is accurate and reliable.
- Comply with laws and regulations including Port policies and procedures.
- Cooperate fully with auditors during the discharge of their duties, including making available, personnel and material, or information requested.
- Provide a timely response to audit findings and recommendations.
- Assure the timely implementation of agreed-upon corrective action(s) to audit recommendations.

### **V. INDEPENDENCE AND OBJECTIVITY**

Independence is the freedom from conditions that threaten the ability of the internal audit activity or the chief audit executive to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board.<sup>1</sup>

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit

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<sup>1</sup> International Standards for the Professional Practice of Internal Auditing (Standards).

matters to others.<sup>1</sup>

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, internal auditors will be independent of the activities they audit. Because objectivity is essential to the audit function, Internal Audit staff will not develop and install procedures, prepare records, or engage in any other activity which the auditor would normally audit, and which could reasonably be construed to compromise the auditor's independence. The auditor's objectivity is not adversely affected, however, by determining or recommending standards of control to be adopted in the development of systems and procedures under review. The audit staff is responsible for maintaining their independence and integrity in all services they provide. This directive will not preclude Internal Audit's proactive involvement with management in planning processes, committees or special projects.

All internal audit activities shall remain free from interference relative to matters of audit selection, scope, procedures, frequency, timing, or report content to maintain independence and objectivity. The Director shall report any impairment to independence, or unjustified restriction or limitation to audit selection, scope, procedures, frequency, timing or report content promptly to the Audit Committee and to the Executive Director.

To provide for the independence of the Internal Audit Department, its staff reports to the Internal Audit Director. The Director reports administratively to the Executive Director and functionally to the Audit Committee. This structure permits the rendering of impartial and unbiased judgment, essential to the proper conduct of audits.

The Audit Committee will regularly review the Internal Audit Department's staffing requirements, including its annual budget and make recommendations for approval to the full Commission.

As necessary, the Audit Committee will review the need to appoint, replace or dismiss the Internal Audit Director and make recommendations for action to the full Commission.

## **VI. COMMITMENT TO QUALITY -- STANDARDS OF AUDIT PRACTICE**

Internal Audit staff commits to providing outstanding audit service through timely, unbiased, value-added audit and advisory (consulting) services.

Internal Audit will work as a team with Port management to assist with process improvements aimed at achievement of the strategic goals and objectives.

Internal Audit will work to enhance the services they provide by continuously improving their audit and advisory processes.

### **The Internal Audit Staff Will Adhere to the Following Professional Standards and Codes:**

- The International Standards for the Professional Practice of Internal Auditing (the Standards) of the Institute of Internal Auditors (Red Book).
- Government Auditing Standards promulgated by the Comptroller General of the United States (Yellow Book).
- ISACA Audit and Assurance Standards (IT Audit).

- The Port of Seattle Employee's Code of Conduct.
- The Institute of Internal Auditors Code of Ethics.
- The Port of Seattle Internal Audit Handbook, including its protocols, policies, and procedures.

The Internal Audit Department Charter may be modified by a written document executed by all of the participating parties. This Charter will be effective upon execution and will continue indefinitely until it is modified.

IN WITNESS WHEREOF, the parties hereto have caused this Internal Audit Charter to be executed by their proper officers thereunto duly authorized, and their official seals to be affixed as of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Commissioner Peter Steinbrueck  
Port Commission President

Date: \_\_\_\_\_

\_\_\_\_\_  
Commissioner Ryan Calkins  
Audit Committee Chair

Date: \_\_\_\_\_

\_\_\_\_\_  
Commissioner Stephanie Bowman  
Audit Committee Secretary

Date: \_\_\_\_\_

\_\_\_\_\_  
Steve Metruck  
Executive Director

Date: \_\_\_\_\_

\_\_\_\_\_  
Glenn Fernandes  
Internal Audit Director

Date: \_\_\_\_\_