

PORT OF SEATTLE AUDIT COMMITTEE CHARTER

Purpose and Authority

The Audit Committee is a standing committee created by the Seattle Port Commission. Its general purpose is to represent the Commission and have review and oversight authority on matters relating to the Port of Seattle auditing process and procedures. It will assist the Port of Seattle Commission in fulfilling its oversight responsibilities for:

- The integrity of the Port's financial statements,
- The effectiveness of the Port's internal control system over financial reporting, compliance and operations,
- The periodic performance audits to be conducted on Port of Seattle operations, programs, activities and business processes,
- The independent auditor's qualifications and independence, and
- The performance of the Port's internal audit function and independent auditors.

In carrying out these responsibilities, the Audit Committee shall determine that any audits, which are required to be conducted under the United States Government Accountability Office's Government Auditing Standards, are conducted in accordance with those standards. The Audit Committee shall provide opportunities for auditors to discharge their responsibilities for communication with those charged with governance as required under those standards.

The Audit Committee is empowered to seek any information it requires from Port of Seattle employees on departmental audit matters, all of whom are directed to cooperate with the Committee's requests. The Committee shall keep the CEO apprised of all such requests.

If the committee determines that in order to meet its responsibilities it requires the independent services of an outside advisor or consultant having expertise in financial reporting, auditing and internal controls, it may propose the retention of such advisor or consultant to the Commission for approval.

Duties

The Audit Committee will

- Review with the Director of Internal Audit Department the plans, activities, staffing, and organizational structure of the internal audit function, including coordination of audit effort with the external auditors. Audit Committee responsibilities will include:

- **Formally approve** the Director of Internal Audits annual audit plan. The annual plan will include which departments, vendors, agreements, leases, and other areas that to be audited by the Director of Internal Audit and audit staff.
- Review the findings and recommendations of internal audits conducted of these areas at the Port of Seattle, in regards to financial compliance, internal controls, performance and efficiency.
- Monitor the progress of the internal audit function against its long-term goals and objectives.
- Elicit any recommendations of the improvement of such internal controls or particular areas where new or more detailed controls or procedures are desirable. Schedule and hear reviews of these improvements presented by Port of Seattle staff as deemed necessary.
- **Make formal recommendations to the Executive for increases in Internal Audit Department functions and capabilities.**
- **Make formal recommendations to the Port of Seattle Commission to request increases to the Internal Audit Department's annual budget.**
- Review with the Port's External Auditors:
 - The independent auditors' annual audit of the Port's financial statements, as well as related notes and **management analysis** of the findings.
 - The management letter and the schedule of unadjusted differences.
 - The independent auditors' judgments about the quality of the Port's accounting principles as applied in its financial reporting.
 - The independent auditors' single audit of the federal grant awards administered by the Port.
- The Audit Committee shall review periodic performance audits conducted on Port of Seattle operations, programs, activities and business processes. In carrying out these responsibilities, the Audit Committee shall:
 - Encourage discussion between management, the Commission and other stakeholders in order to identify future potential areas of performance audit focus.
 - Provide recommendations to the Commission regarding specific audit areas for consideration, including suggested audit objectives, scope and evaluation criteria.
 - If necessary, and only upon Commission approval, solicit proposals from independent auditing firms based on the approved performance audit objectives, scope and criteria, and recommend **an** independent auditing firm for appointment by the Commission if, after consulting with the Internal Audit Manager, it is determined that outside resources are necessary.

- Report the results of such audits to the Commission when completed.
- Review with the Washington State Auditor's Office (SAO) any financial, accountability or performance audits conducted on the Port of Seattle. In carrying out these responsibilities, the Audit Committee shall:
 - Encourage any SAO performance audits to **include an entrance and exit conference** with the Audit Committee.
 - Review final audit findings and recommendations including management's response and analysis.
 - Reviews actions taken by Port of Seattle staff in response to final recommendations of any SAO performance audit.
- Discuss with management the Port's major policies with respect to risk assessment and risk management.
- Provide an **annual** report to the Commission that describes how the Audit Committee has discharged its duties and met its responsibilities.

Internal Responsibilities

The Audit Committee will:

- **Approve one-year and three-year** goals and objectives for the Audit Committee and monitor progress in achieving those goals and objectives.
- ~~Establish annual goals and objectives for the Audit Committee that are consistent with its long term goals and objectives and monitor progress in achieving those goals and objectives.~~
- Review and assess the **Audit Committee Charter** annually, requesting Commission approval for proposed changes.

Composition

The Audit Committee will consist of at least two (2) members of the Port of Seattle Commission and one (1) public member approved by the Commission for a term of three (3) years. Port Commission members of the audit committee, as well as the committee chair, will be selected by the Commission President at the beginning of each calendar year.

The public member will be recommended by the Audit Committee for appointment and confirmation by the Commission. The public member may be removed during his or her term by the Commission President.

Each committee member will be independent of Port management and any external audit firm. The public member must have the following qualifications:

- An understanding of generally accepted accounting principles (GAAP) and financial statements,
- Experience in the preparation or auditing of the financial statements of comparable public entities,
- Experience in the application of GAAP in regards to estimates, accruals and reserves,
- Experience with internal controls, and
- **A basic understanding of how the Port of Seattle's Audit Committee functions.**

The public member will serve as an advisor to the audit committee and is not considered a voting member of the committee for the purposes of quorum determination or voting on any official business of the committee.

Meetings

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.

All committee meeting are open public meetings.

A quorum of the committee is required to conduct official committee business. A quorum is defined as a majority of voting members.

The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.