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#### RESOLUTION 3770 EXHIBIT E

Port of Seattle Audit Committee Charter

Adopted December 11, 2012, and last amended by redline February 25, 2020

Section I: Purpose and Authority.

A. 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:

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

B. In carrying out these responsibilities, the Audit Committee shall determine that all internal audits are conducted under the United States Government Accountability Office's Government Auditing Standard and the Institute of Internal Auditing standards.

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

D. 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.

Section II: Duties.

The Audit Committee will:

A. Inform the commission of the independent auditors selected, based on an open competitive process, to audit the financial statements and the federal grant and passenger facilities charge programs of the Port of Seattle and other audit services.<sup>1</sup>

<sup>1</sup> Section II(A) was amended June 28, 2016, for clarity.

B. Oversee the Director of Internal Audit's plans and activities and review with the director the staffing and organizational structure of the internal audit function, including coordination of audit effort with the external auditors. Audit Committee responsibilities will include:

- (1) Formally approve the Director of Internal Audit's annual audit plan. The annual plan will include which operations, departments, vendors, agreements, and leases are to be audited by the Director of Internal Audit and audit staff during the course of the year.
- (2) Review the Internal Audit Department staffing needs.
- (3) Review and recommend to the full commission the Internal Audit Department annual budget.
- (4) Make recommendations to the commission on the appointment, replacement, or dismissal of the Internal Audit Director or any external auditors.
- (5) Review the findings and recommendations of internal audits conducted at the Port of Seattle, in regards to financial compliance, internal controls, performance, and efficiency.
- (6) 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.

C. Review with the port's external auditors:

- (1) The independent auditors' annual audit of the port's financial statements, as well as related notes and management's discussion and analysis.
- (2) The management letter and the schedule of unadjusted differences.
- (3) The independent auditors' annual audit of the passenger facility charges.
- (4) The independent auditors' single audit of the federal grant awards administered

by the port.

(5) The independent auditors' judgments about the quality of the port's accounting principles as applied in its financial reporting.

(6) Any performance or accountability audits performed on the Port of Seattle. This will include a review of final audit findings and recommendations including management's response and analysis.

D. Review other external audits conducted on Port of Seattle operations, programs, activities, and business processes. In carrying out these responsibilities, the Audit Committee shall:

(1) Encourage discussion between management, the commission, and other stakeholders in order to identify future potential areas of performance audit focus.

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(2) Provide recommendations to the commission regarding specific audit areas for consideration, including suggested audit objectives, scope, and evaluation criteria.

(3) Inform the commission of the external auditing firms selected, based on an open competitive process, to review external audits conducted on Port of Seattle operations, programs, activities, and business processes.<sup>2</sup>

(4) Report the results of such audits to the commission when completed.

E. Discuss with management the port's policies with respect to risk assessment and risk management.

Section III: Internal Responsibilities.

A. The Audit Committee will:

(1) Assess as necessary the goals and objectives of the Audit Committee and monitor progress in achieving those goals and objectives.

(2) Provide an annual report to the commission that describes how the Audit Committee has discharged its duties and met its responsibilities.

Section IV: Composition.

A. The Audit Committee will consist of at least two members of the Port of Seattle Commission and one public member approved by the commission. 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.

B. 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 currently employed by the port or subcontracted by any auditor employed by the port. The public member must have the following qualifications:

(1) Experience with generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS).

(2) Experience in the preparation or auditing of the financial statements of public entities.

(3) Experience in the application of GAAP in regards to estimates, accruals, and reserves.

(4) Experience in the assessment and evaluation of internal controls, including risk assessment.

2 Section II(D)(3) was amended July 11, 2017, to conform to the June 26, 2016, amendment of Section 2(A)

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(5) An understanding of or experience with a public sector audit committee.

(6) An understanding of or experience with performance audits.

(7) Can make a commitment to serve a three-year term.

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.

Section V: Meetings.

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

B. All committee meetings shall be open to the public, except for portions of meetings that

can be considered executive session for the Port of Seattle Commission under RCW 42.30.110.3

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

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

E. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and approved by the Audit Committee.

3 Section V(B) was amended February 25, 2020, to provide a context in which the committee could consider reports on audits that include sensitive or confidential content pertaining to information technology audits.

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