



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

# **REPORT TO THE RISK MANAGEMENT COMMITTEE**

## **Recommendation to Approve the Office of Audit Charter**

### **September 2014**



## Purpose

The Office of Audit requests that the Risk Management Committee approve and recommend the Board of Directors approve the Office of Audit Charter (Charter). The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility.



## Background

The Charter states “The Office of Audit will govern itself by adherence to The Institute of Internal Auditors’ mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*.” The *Standards* require that the Board of Directors approve the Charter.



## Background

### The Office of Audit Charter:

- Defines the purpose, authority, and responsibility of the internal audit activity consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.
- Positions the internal audit activity within the organization, including the nature of the Vice President for Audit reporting relationship with the Board.
- Authorizes access to records, personnel, and physical properties relevant to the performance of engagements and defines the scope of internal audit activities.



## Background

- Complies with the requirements for the International Standards for the Professional Practice of Internal Auditing, and is consistent with the Airports Authority's Statement of Functions, Board of Directors' Committee Jurisdictions and the Risk Management Committee's Responsibility Guidelines.



## **Recommendation**

The Office of Audit requests that the Risk Management Committee approve and recommend the Board of Directors approve the Charter.



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport

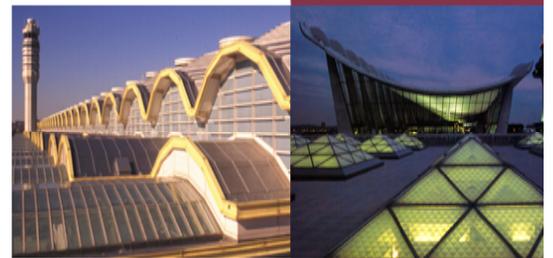


METROPOLITAN WASHINGTON  
AIRPORTS AUTHORITY

# *Metropolitan Washington Airports Authority*

Recommendation to  
Approve Office of Audit  
Charter

September 17, 2014



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

## **REPORT TO THE RISK MANAGEMENT COMMITTEE**

### **RECOMMENDATION TO APPROVE OFFICE OF AUDIT CHARTER**

**SEPTEMBER 2014**

#### **ACTION REQUESTED**

The Office of Audit requests that the Risk Management Committee approve and recommend to the Board of Directors that it approve the Office of Audit Charter (Charter), which is attached.

#### **BACKGROUND**

The purpose, authority, and responsibility of the internal audit activity must be formally defined in a Charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. The chief audit executive must present the Charter for approval.

#### **Interpretation:**

The Charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's reporting relationship with the Board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the Charter resides with the Board of Directors.

The Charter complies with the requirements of the *Standards*. It is also consistent with the Airports Authority's Statement of Functions, the Board of Directors' Committee Jurisdictions and the Risk Management Committee's Responsibility Guidelines.

#### **DISCUSSION**

The Charter states "The Office of Audit will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *Standards*." The Charter provides a formal written agreement between the Board of Directors and the Office of Audit with respect to the internal audit activities.

The Charter authorizes the Office of Audit to direct a broad, comprehensive program of internal auditing within the Airports Authority. Other key provisions of the Charter state that the Vice President for Audit will:

- Submit to the Risk Management Committee and the Board of Directors an annual risk assessment and audit plan;
- Provide written reports to the Risk Management Committee and the Board of Directors at the completion of audit engagements;
- Conduct an annual audit follow-up review to assess Management's efforts to implement all open audit recommendations;
- Actively monitor the progress of the yearly external financial statement audit for the Airports Authority and assist the Risk Management Committee in evaluating the quality of performance of external auditors;
- Ensure that an external assessment is conducted at least once every five years by a qualified, independent reviewer or review team from outside the Airports Authority; and
- Maintain a Quality Assurance and Improvement Program.

### **RECOMMENDATION**

That the Risk Management Committee approve and recommend to the Board of Directors that it approve the Office of Audit Charter.

Prepared by:  
Office of Audit  
September 2014

## Metropolitan Washington Airports Authority

# Office of Audit Charter

### **PURPOSE**

This Audit Charter (the Charter) sets out the specific responsibilities delegated by the Board of Directors (Board) of the Metropolitan Washington Airports Authority (Airports Authority) through the Risk Management Committee to the Office of Audit and details the manner in which the Office of Audit will operate.

### **INTRODUCTION**

The Office of Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Airports Authority. It assists the Airports Authority in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Airports Authority's governance, risk management, and internal controls.

### **ROLE**

The Board, as part of its oversight role, established the Office of Audit and defined the Office of Audit's role and functions. The Airports Authority "Statement of Functions," as amended March 2014, states that the Office of Audit:

*"Manages the Authority's audit activities. With guidance from the Board's Risk Management Committee, develops and implements a broad scope audit plan. The plan is designed to provide reasonable assurance that the Authority has an effective system of internal controls, encompassing accounting, financial, administrative operational, and computer controls. Evaluates controls and recommends improvements to management, reporting results to the Risk Management Committee and the Chief Executive Officer. Manages the activities of external auditors who perform an annual audit of the Authority's Financial Statements and related activities."*

### **PROFESSIONALISM**

The Office of Audit will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the

effectiveness of the Office of Audit's performance. The Office of Audit also adheres to The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers as applicable to guide operations.

## **AUTHORITY**

The Office of Audit, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all Airports Authority records, physical properties, and personnel pertinent to carrying out any engagement.

## **ORGANIZATION**

The Vice President for the Office Audit reports to the Chairs of the Risk Management Committee of the Board. The Vice President for Audit communicates and interacts directly with the Risk Management Committee and Board in open and executive sessions and between Board meetings as appropriate. The Vice President for Audit may engage independent Certified Public Accountants (CPA) or CPA firms to support the conduct of the audit plan.

## **INDEPENDENCE AND OBJECTIVITY**

The Office of Audit is authorized to direct a broad, comprehensive program of internal auditing within the Airports Authority. The Office of Audit has full authority regarding matters including audit selection, scope, procedures, frequency, timing, and report content. The Office of Audit's objectivity and independence depend largely on having no responsibility for or authority over any of the activities or operations subject to its review. As such, the Office of Audit staff shall not have direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment and independence.

The Office of Audit will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The Office of Audit's staff will make a balanced assessment of all the relevant circumstances and not be unduly influenced by its own interests or by others in forming judgments. The Vice President for Audit will confirm to the Risk Management Committee and the Board, at least annually, the independence of the Office of Audit.

## **RESPONSIBILITY**

The Office of Audit shall have responsibility for the examination and evaluation of the Airports Authority's governance, risk management, compliance with laws and regulations, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Airports Authority's stated goals and objectives. The Vice President for Audit is responsible for providing the Audit Charter, the annual risk assessment and audit plan, and the reports produced by the Office of Audit to the Risk Management Committee for its review and consideration. In addition, the Vice President shall periodically report on the Office of Audit's purpose, authority, responsibility, and performance relative to its plan; significant Airports Authority risk exposures and control issues, including fraud risks and governance issues; and provide consulting and advisory services as needed or when requested by the Board.

The Vice President for Audit shall actively monitor the progress of the yearly external financial statement audit for the Airports Authority and assist the Risk Management Committee in evaluating the quality of performance of the external auditors and the degree of coordination with the Office of Audit. Moreover, the Vice President shall assist the Risk Management Committee with the selection of an external audit firm as requested.

## **RISK ASSESSMENT AND AUDIT PLAN**

At least annually, the Vice President for Audit shall submit to the Risk Management Committee and the Board a risk assessment and audit plan for the next calendar year. The audit plan shall be developed based on the risk assessment and shall include the resource requirements necessary to implement the plan. The audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology with appropriate inputs from senior management and the Board. The Vice President for Audit shall communicate any resource limitations affecting the implementation of the plan to the Risk Management Committee. The Vice President for Audit will review and may adjust the plan in response to changes in the Airports Authority's governance, risk and compliance assurance needs, as well as changes in business strategies, industry economics and business operations.

## **REPORTING AND MONITORING**

The Vice President for Audit shall prepare and submit to the Risk Management Committee and the Board a written report following the conclusion of each internal audit engagement. The reports shall include any recommendations and management's responses to the recommendations along with an anticipated completion date for each recommendation or explanation of management's decision not to implement the

recommendation. The Office of Audit also shall conduct an annual audit follow-up review to assess management's efforts to implement all open recommendations.

## **INTERNAL AND EXTERNAL ASSESSMENTS**

The Vice President for Audit is responsible for providing continuous monitoring and periodic self-assessments of the internal audit activity regarding its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to the audit plan. The Vice President for Audit will ensure that an external assessment of the office is conducted at least once every five years by a qualified, independent reviewer or review team from outside the Airports Authority. In addition, the Vice President for Audit will communicate the results of the internal assessments and external assessments to the Risk Management Committee and the Board.

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The Office of Audit will maintain a Quality Assurance and Improvement Program. It will include an evaluation of the Office of Audit's conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether the Office of Audit staff apply the Code of Ethics appropriately as well as delineate opportunities for improvement.

*For Consideration by the Risk Management Committee  
and Board of Directors on September 17, 2014*