



# Report to the Risk Management Committee

Recommendation to Approve  
Charters  
November 2015

## Purpose

Request the Risk Management Committee approve and recommend the Board of Directors approve:

- Risk Management Committee Charter
- Office of Audit Charter

## Background

- The Board approved enhancements to the Audit Charter on March 18, 2015.
- The DOT OIG feedback, related to the March Charter, is incorporated into the recommended Charters.

## Recommendation

- Proposed Charters have undergone review by CEO, Legal, Internal Controls and Compliance and the Interim Secretary.
- Proposed Charters meet Institute of Internal Auditors (IIA) Standards and closely mirror the Model Charters established by the IIA.
- Charters were provided to the DOT Accountability Officer and OIG.
- We will keep the Committee apprised of the status of OIG review.

**Metropolitan Washington Airports Authority**  
**Risk Management Committee Charter**

**PURPOSE**

To assist the Board of Directors (Board) of the Metropolitan Washington Airports Authority (Airports Authority) in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, and the Airports Authority's process for monitoring compliance with laws and regulations and the *Code of Ethics for the Airports Authority Employees*.

**AUTHORITY**

The Risk Management Committee (Committee) has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Retain, compensate, and oversee the work of any public accounting firm employed by the Airports Authority to audit the Airports Authority's financial statements or to provide other attestation services (external auditors).
- Resolve any disagreements between management and the external auditors regarding financial reporting.
- Pre-approve all audit and non-audit services, including consulting, provided by external auditors.
- Retain independent counsel, accountants, or consultants to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees, all of whom are directed to cooperate with the Committee's requests, or external parties.
- Meet with Airports Authority officers, external auditors, General Counsel, or outside counsel, as necessary.

**COMPOSITION**

The Committee will consist of at least seven (7) and no more than eleven (11) members of the Board. The Chairman will appoint Committee Members and the Committee Chair or Co-Chairs.

Each Committee Member will be both independent and financially literate. At least one member shall be designated as the "financial expert."

**MEETINGS**

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All Committee Members are expected to attend each meeting, in person or via tele- or video-conference. The Committee will invite the Airports Authority Vice President for Audit, management, external 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.

As necessary and as authorized by the Airports Authority Bylaws, the Committee will hold private meetings with the Vice President for Audit, external auditors and others in executive sessions.

## **RESPONSIBILITIES**

The Committee will carry out the following responsibilities:

### Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with the Vice President for Audit, management and the external auditors the results of the financial statement audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee Members, and reflect appropriate accounting principles.
- Review other sections of the annual report and consider the accuracy and completeness of the information.
- Review with the Vice President for Audit, management, and the external auditors all matters required to be communicated to the Committee under The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and International Standards for the Professional Practice of Internal Auditing (Standards) and/or generally accepted auditing Standards in the United States of America, as applicable.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports, if any, with the Vice President for Audit, management, and the external auditors before filing with regulators, as applicable, and consider whether they are complete and consistent with the information known to Committee members.

### Internal Control

- Consider the effectiveness of the Airports Authority's internal control system, including information technology security and control.
- Understand the scope of the Office of Audit and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

### Office of Audit

- Approve, and recommend approval by the Board, the Office of Audit Charter.
- Advise the Board regarding decisions on the appointment and removal of the Vice President for Audit.

- Ensure there are no unjustified restrictions or access limitations for the Vice President for Audit.
- Approve, and recommend approval by the Board, the Office of Audit's risk assessment and annual engagement plan and all major changes to the annual engagement plan. Review the Office of Audit's performance relative to its plan.
- Review with the Vice President of Audit the Office of Audit budget, resource plan, activities, and organizational structure of the Office of Audit. Approve, and recommend approval by the Board, the Office of Audit budget and resource plan.
- At least once per year, review the performance of the Vice President for Audit and recommend compensation and salary adjustments to the Executive and Governance Committee.
- Review the performance and effectiveness of the Office of Audit, including its conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the *International Standards for Professional Practice of Internal Auditing*, and the results of internal and external assessments conducted under the Quality Assurance and Improvement Program (QAIP) of the Office of Audit, including action plans for addressing any recommendations under the QAIP.
- On a regular basis, meet separately with the Vice President for Audit to discuss any matters that the Committee or Office of Audit believes should be discussed privately.

#### External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the Office of Audit.
- Review the performance of the external auditors, and advise the Board on the retention or discharge of the external auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Airports Authority, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

#### Compliance

- Review the effectiveness of the Airports Authority's system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies or by other external entities, and any auditor observations.
- In conjunction with the Ethics Review Committee, review the process for communicating the Airports Authority's Code of Ethics for Employees to Airports Authority personnel, and for monitoring compliance therewith.

- Obtain regular updates from management and the Airports Authority General Counsel regarding compliance matters.

#### Reporting Responsibilities

- Regularly report to the Board about Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between the Office of Audit, the external auditors, and the Board.
- Review any other reports the Airports Authority issues that relate to Committee responsibilities.

#### Other Responsibilities

- Perform other activities related to this Charter as requested by the Board.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of this Charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate the Committee's and individual members' performance on a regular basis.

## **Risk Management Committee Charter**

Approved and adopted this 18<sup>th</sup> day of November, 2015.

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Nina Mitchell Wells, Co-Chair, Risk Management Committee

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Warner H. Session, Co-Chair, Risk Management Committee

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Frank M. Conner III, Chairman, Board of Directors

# Metropolitan Washington Airports Authority

## Office of Audit Charter

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### INTRODUCTION

The Office of Audit is an independent and objective assurance and consulting function that is guided by a philosophy of adding value and improving 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 Office of Audit is established by the Board of Directors. The Office of Audit's responsibilities are defined by the Board and its Risk Management Committee as part of their oversight role.

### 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*. This mandatory guidance constitutes principles for 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 will also adhere to The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers applicable to internal audit operations. In addition, the Office of Audit will adhere to relevant Airports Authority policies and procedures and the Office of Audit's policies and procedures.

### 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 its responsibilities. All Airports Authority employees are expected to assist the Office of Audit in fulfilling its roles and responsibilities. The Office of Audit is also authorized to have free and unrestricted access to the Board.

## **ORGANIZATION**

The Vice President for the Office of Audit (Vice President) will report functionally to the Co-Chairs of the Risk Management Committee of the Board and administratively (i.e., day-to-day operations) to the President and Chief Executive Officer (CEO). The Vice President will communicate and interact directly with the Risk Management Committee and the Board in open and executive sessions and between Board meetings, as appropriate.

The Board, after receiving the recommendation of the Risk Management Committee, and the CEO will jointly:

- Approve the Office of Audit charter.
- Approve the Office of Audit risk based internal audit plan.
- Approve the Office of Audit budget and resource plan.
- Receive communications from the Vice President on the Office of Audit's performance relative to its audit plan and other matters.
- Make decisions regarding the appointment and removal of the Vice President.
- Make appropriate inquiries of management and the Vice President to determine whether there is inappropriate scope or resource limitations.

The Executive and Governance Committee will determine the remuneration of the Vice President, upon recommendation from the Risk Management Committee. With regard to salary increases for other Office of Audit staff, the Vice President will make his recommendation to the Executive and Governance Committee.

## **INDEPENDENCE AND OBJECTIVITY**

The Office of Audit will remain free from interference by any element in the Airports Authority, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

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.

Office of Audit personnel 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 will confirm to the Risk Management Committee and the Board, at least annually, the independence of the Office of Audit.

## **RESPONSIBILITY**

The scope of the Office of Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Airports Authority's governance, risk management, and internal controls as well as the quality of performance of Airports Authority personnel in carrying out their assigned responsibilities to achieve the Airports Authority's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the Airports Authority's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the Airports Authority.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.

- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the Airports Authority's risk management processes.
- Performing consulting and advisory services related to governance, risk management and internal controls as appropriate for the Airports Authority.
- Reporting periodically on the Office of Audit's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board, the Risk Management Committee, or management, as appropriate.
- Identifying and reporting resource limitations and constraints that are impacting completion of the audit plan to the CEO, the Risk Management Committee, and the Board.
- Implementing a quality assurance and improvement program for the Office of Audit, as delineated below.

The Vice President 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.

## **AUDIT PLAN**

At least annually, the Vice President will submit to the CEO and the Board an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next calendar year. The Vice President will communicate the impact of resource limitations and significant interim changes to senior management and the Board.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board. The Vice President will review and adjust the plan, as necessary, in response to changes in the Airports Authority's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Board through periodic activity reports.

## **REPORTING AND MONITORING**

A written report will be prepared and signed by the Vice President or designee following the conclusion of each Office of Audit engagement. Reports will be distributed to senior management as appropriate. Summary audit results will be communicated to the Board.

Internal audit reports may include management's response and corrective actions taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of actions to be taken and an explanation for any recommended corrective action that will not be implemented.

The Office of Audit will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Vice President will periodically report to management and the Board on the Office of Audit's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and

control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The Office of Audit will maintain a quality assurance and improvement program that covers all aspects of the Office of Audit. The program will include an evaluation of the Office of Audit's conformance with the Institute of Internal Auditors' Definition of Internal Auditing and the *International Standards for the Professional Practice of Internal Auditing* and an evaluation of whether the Office of Audit applies the Code of Ethics. The program also assesses the efficiency and effectiveness of the Office of Audit and identifies opportunities for improvement.

The Vice President will cause the provision of continuous monitoring and periodic self-assessments of the Office of Audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The review should evaluate Office of Audit's conformance with the Office of Audit Charter (purpose, authority, and responsibility) and performance relative to the audit plan.

As part of the Quality Assurance and Improvement Program, the Office of Audit will perform the following:

### *Internal/ Peer Review:*

The Vice President will ensure that annual assessments of the Office of Audit's quality assurance and improvement program are conducted by an entity or organization outside the Office of Audit. Results of each assessment, including action plans for addressing any recommendations, will be reported to senior management, the Risk Management Committee, and the Board.

### *External Quality Assessment Review:*

The Vice President, with participation by senior management, the Risk Management Committee, and the Board, will ensure that an external assessment of the Office of Audit is conducted at least once every five years by a qualified, independent reviewer. The Vice President is also responsible

to ensure that senior management, the Risk Management Committee, and the Board participate in the selection of the reviewer or review team and provide the results of the external assessment and, if necessary, an action plan for addressing recommendations of the external assessment to the senior management, the Risk Management Committee, and the Board.

## **Office of Audit Charter**

Approved and adopted this 18<sup>th</sup> day of November, 2015.

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Lee Wyckoff, Vice President for Audit

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John E. Potter, Chief Executive Officer

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Nina Mitchell Wells, Co-Chair, Risk Management Committee

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Warner H. Session, Co-Chair, Risk Management Committee

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Frank M. Conner III, Chairman, Board of Directors