

Internal Audit Charter	
Approved by FAA Committee:	Last Approved: 11/20/2023 CMTA Resolution #: AI-2023-1003

INTERNAL AUDIT MISSION

To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

ROLE

Internal Audit assists the organization in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal auditors have no direct responsibilities or any authority over any of the activities or operations they review. They should not develop and install procedures, prepare records, or engage in activities which would normally be reviewed by internal auditors. This does not preclude internal auditors from serving in an advisory capacity in the implementation of improvements or the establishment or re-designing of activities, policies, procedures, or information systems. Additionally, this restriction shall not prevent internal auditors from performing analysis and recommending alternative courses of action to management.

INDEPENDENCE AND ORGANIZATIONAL REPORTING

Internal Auditors should be free both in fact and appearance from personal, external, and organizational impairments to independence.

In order to be free of all operational and management responsibilities that would impair the ability to review independently all aspects of the Authority's operations, the Chief Audit Executive (CAE) shall report functionally to the Board of Directors (BOD) through the Finance, Audit and Administration (FAA) Committee. The CAE shall report to the FAA Committee as needed to discuss audit issues and results. At least annually, the CAE will confirm to the FAA Committee, the organizational independence of the internal audit activity and, as necessary, revise the Internal Audit and/or the FAA Charters.

PROFESSIONAL STANDARDS

Internal Audit must follow Generally Accepted Government Auditing Standards (GAGAS), as issued by the U.S. General Accountability Office (GAO). Also, Internal Audit conforms to the International Professional Practices Framework (IPPF) consisting of the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards as promulgated and periodically revised by the Institute of Internal Auditors. These core principles include:

1. Demonstrates integrity
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence (independent)
4. Aligns with the strategies, objectives, and risks of the organization
5. Is appropriately positioned and adequately resourced
6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive, and future-focused
10. Promotes organizational improvement

ASSURANCE SERVICES

Assurance services provide an objective evaluation of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization.

These activities may include:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and whether the Authority is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets.
- Reviewing and appraising the efficiency with which resources are employed.
- Reviewing 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.
- Reviewing information systems throughout the system development lifecycle.
- Assessing management's actions taken in response to reported audit findings.
- Reviewing and evaluating the organization's governance processes.
- Reviewing and evaluating the organization's risk management processes.
- Receiving and investigating allegations of fraud, waste and abuse.
- Reporting periodically on the Internal Audit activity's purpose, authority, responsibility, and performance relative to its plan.

NON-AUDIT SERVICES (ADVISORY & CONSULTING)

Consulting services include advisory and related client service activities, the nature and scope of which are agreed with the client and are intended to add value and improve the Authority's governance, risk management, and control processes.

These services may range from formal engagements, defined by written agreements, to advisory activities, such as training, facilitation, and participating in standing or temporary management committees or project teams as an "ex-officio" member.

Internal Audit may perform advisory services where the services do not create a personal impairment either in fact or appearance, detract from other obligations to the FAA Committee, or require the assumption of management responsibilities.

Internal Audit does not perform remediation services. Remediation services are those in which the auditor assumes a direct role designed to prevent or remediate known or suspected problems on behalf of a client. Remediation services require making management decisions and, thus, are not appropriate according to GAGAS.

AUTHORITY

Authorization is granted for full and free access to all records (either manual or electronic), physical properties, activities, and personnel relevant to a review. This includes full access to all systems that input, process, store, and report any and all information of the operations of the Authority which are not limited or otherwise restricted. Documents and information given to internal auditors will be handled in the same prudent manner as by those employees normally accountable for them.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Internal Audit maintains a Quality Assurance and Improvement Program (QAIP) to evaluate the operations of the internal auditing function. The QAIP includes audit supervision / review to ensure conformance with internal auditing standards, policies, and audit programs. Internal assessments will be performed at least annually to assess conformance with the Internal Audit Charter, the Standards, Code of Ethics, GAGAS, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. In addition, an independent external quality assurance review will be performed at least once every three years. The results of the QAIP activities, including both internal and external assessments, will be provided to the FAA Committee.

CONTINUING PROFESSIONAL DEVELOPMENT

Each fiscal year, the Internal Audit Department will be allocated a budget for training and educational materials to comply with internal auditing professional standards and ensure current audit techniques, policies, and practices.

INTERNAL AUDIT RESULTS

Audit results are reported to the FAA Committee and President / CEO at the conclusion of each audit project and may include management's responses and corrective action plans (CAPs). The FAA Committee accepts audit reports/results and, when appropriate, authorizes their distribution.

In certain instances, a report may be of limited interest or of a sensitive nature. In these circumstances, the results will be shared only with those persons designated by the FAA Committee. No internal audit report shall directly reference or quote confidential information that is protected under the Texas Public Information Act.

INTERNAL AUDIT FOLLOW-UP

The CAE shall monitor the disposition of CAPs. Audit follow-ups shall verify the resolution status of all significant recommendations resulting from past internal audits. The CAE shall report, at least annually, on implementation status to the FAA Committee.

FINANCE, AUDIT & ADMINISTRATION COMMITTEE

The Finance, Audit & Administration (FAA) Committee shall provide guidance and oversight of both internal and external audit activities. FAA Committee responsibilities include the following duties, based upon standard corporate and governmental practices:

Responsibilities for Internal Audit:

- Review and approve Internal Audit Charter.
- Review Internal Audit risk assessment, plans and budgets.
- Review and/or approve requests for internal audit projects and significant interim changes to the internal audit plan.

- Monitor internal audit results and follow-up reports on previously reported recommendations and CAPs.
- Conduct an annual performance review and evaluation of the CAE.
- Inform and advise the full BOD on internal audit results and recommendations.

Responsibilities for External Audit:

- Monitor external auditor coverage, activities, and contracts for external audits.
- Monitor financial and regulatory reporting decisions.

BOARD ACCESS TO INTERNAL AUDIT

The FAA Committee shall be the access point for all requests for internal audits. Individual Board members desiring specific audit projects should coordinate requests through this committee for review, approval, and scheduling.

INTERNAL AUDITOR ACCESS TO THE BOARD

The CAE shall meet with the FAA Committee on a regular basis, but no less than once per quarter. In addition, the BOD and/or the FAA Committee may request that Internal Audit be available as an informational resource at regular BOD or FAA Committee meetings.

The CAE will have direct access to the BOD and/or the FAA Committee about issues or concerns. The intent of this provision is to emphasize the independence of internal auditing and provide the CAE with direct access to the BOD should serious matters arise which are beyond the course of normal operations.

INTERNAL AUDIT SERVICES PLAN

The CAE shall present for approval to the BOD, a risk-based audit plan which documents the priorities of the internal audit function and is consistent with the Authority's strategic goals and objectives. A risk/opportunity assessment shall be used to identify and justify internal audit resources, audit priority, and scheduling of audit projects. Audit planning will consider the risk of fraud and abuse.

The Internal Audit Services Plan will be reviewed at least annually and proposed plan revisions will be presented to the FAA Committee which has the authority to approve plan modifications. The intent is to provide flexibility to ensure that the most significant risks and opportunities can be addressed in a timely fashion.

CAE APPOINTMENT, EVALUATION & REMOVAL

The BOD shall appoint a qualified, professionally certified individual to perform internal auditing services for a term of five years. The BOD will be responsible for conducting an annual personnel evaluation of the CAE. However, the BOD may delegate this responsibility to the FAA Committee. The BOD may remove the CAE only on the affirmative vote of at least three-fourths of the members of the BOD.

EFFECTIVE DATE

This charter and the policies therein became effective immediately upon adoption by the Board of Directors of the Capital Metropolitan Transportation Authority.