

# AVIATION AUTHORITY POLICY

<b>400: FISCAL MATTERS</b>	<b>Effective: 06/18/97</b>
<b>AUDITING</b>	<b>Revised: 10/09/97</b>
<b>P460: Internal Audits</b>	<b>07/11/02</b>
	<b>09/06/12</b>
	<b>11/07/13</b>
	<b>03/06/17</b>
	<b>03/07/19</b>
	<b>09/02/21</b>
	<b>10/12/23</b>

**PURPOSE:** To establish a policy regarding the Authority’s internal audit function.

**LEGAL CONSIDERATION:** There is no statutory requirement to establish an internal audit function. Standards for practice of internal audit are issued by the United States Government Accountability Office (GAO) and the Institute of Internal Auditors (IIA). While not mandatory, voluntary compliance with either set of standards is encouraged.

**POLICY:** The purpose of the Authority’s Internal Audit Department (IA) is to provide independent, risk-based and objective assurance, advice, and insight to add value and improve the Authority’s operations. IA does this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

IA will adhere to the mandatory elements of the IIA Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. These mandatory elements constitute the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of IA’s performance. The Director of IA will periodically report to Authority senior management and the Audit Committee regarding IA’s conformance to the IIA Professional Practices Framework.

IA performs both assurance and consulting engagements. Assurance engagements provide an independent assessment and result in a conclusion or “opinion” being provided on the subject matter being assessed. Consulting engagements are advisory and related management service activities, the nature and scope of which are agreed to with management and are intended to add value and improve the Authority’s governance, risk management, and control processes without IA assuming management responsibility. Consulting engagements include advising management regarding financial, information technology, and operational issues; development of language to include in the Authority’s agreements; process design; training; and serving in an advisory role on various committees. The Director of IA will consider the implications that each proposed

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engagement will have on independence and the internal audit plan prior to agreeing to perform advisory and consulting services.

### Organization and Responsibilities

The Director of IA shall be hired by the Chief Executive Officer (CEO) subject to approval by at least a majority of the Audit Committee. If the Director of IA is terminated by the CEO, the Audit Committee shall receive written notice of such fact no later than two (2) business days after the decision to terminate. The Director of IA reports to the CEO for policy, guidance, administration, and internal coordination, and provides quarterly updates and an Annual Internal Audit Report to the CEO, Audit Committee, and Executive Vice Presidents. Additionally, IA will provide the CEO and the Audit Committee with a copy of all final reports. The Director of IA will meet with the Audit Committee at least twice per fiscal year to discuss completed audits, the proposed annual audit plan, and any internal audit recommendations that have not yet been resolved or implemented. Additional meetings can be scheduled at any time at the request of the CEO, Director of IA, or Audit Committee Chairperson. The Audit Committee Chairperson will report the results of all Audit Committee meetings to the Board.

### Quality Assurance and Improvement Program

IA will maintain a quality assurance and improvement program that covers all aspects of IA. The program will include an evaluation of IA's conformance with the International Standards for the Professional Practice of Internal Auditing and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of IA and identify opportunities for improvement. The Director of IA will report on IA's quality assurance and improvement program, including the results of internal and external assessments, to the Audit Committee and the CEO.

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### Independence and Unrestricted Access

IA will be independent of and will not have direct responsibility, control, or authority over activities audited or for which advisory or consulting services are provided. The review and appraisal of activities does not relieve the responsible senior level manager and staff from the responsibility for control of activities, resources and reporting inherent to the senior level manager's area of responsibility. The Director of IA will confirm annually to the Audit Committee that the internal audit function remains independent. If the Director of IA believes independence is impaired to the extent that IA cannot perform its duties independently and objectively, the Director of IA will discuss such impairment with the CEO and the Audit Committee and will seek their support to resolve the situation.

No member of the Authority's staff will prevent or prohibit IA from initiating, carrying out, or completing any assurance or consulting engagement. IA will be granted free and unrestricted access to Authority personnel, consultants, facilities and records for the performance of internal audit activities.