



Charter Internal Audit

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Revision Date	Revision	Description/Modification	Revision Section (s)	Author
05/12/2015	0 – 1 st Cut	Creation of Charter	N/A	Jennifer Faulkner SVP Internal Audit

1 PURPOSE

Purpose:

The mission of the Internal Audit (IA) function is to provide independent, objective auditing and consulting services designed to add value, manage risks and improve NYPA's operations. IA helps the organization accomplish its objectives by bringing a systemic and disciplined approach to evaluating and improving the effectiveness of NYPA's governance, risk management, and internal controls. This includes processes designed to evaluate the effectiveness and efficiency of operations, ability to execute on strategic initiatives, reliability of financial reporting, and compliance with applicable laws and regulations. IA will align to professional standards and serve as a training and talent development organization within NYPA.

Authority:

IA, with accountability for strict confidentiality and safeguarding of records and information, is authorized full and unrestricted access to any and all of NYPA's records, physical properties, and personnel pertinent to carrying out any IA engagement. All employees are requested to assist the IA in fulfilling its roles and responsibilities. IA, through the SVP of Internal Audit/Chief Audit Executive (CAE), will also have full and unrestricted access to the Board of Trustees (the Board) and/or Audit Committee (AC) of the Board, who is governed by the Audit Committee Charter. The CAE will be a full participating member of the Executive Management Committee (EMC).

Responsibilities:

IA will develop an annual audit plan based on the prioritization of the audit universe, an appropriate risk-based methodology, and input from management and the Board and/or AC with the following responsibilities:

- Evaluating risk exposure relating to achievement of the organization'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 validate compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization
- Evaluating the effectiveness and efficiency with which resources are employed
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on IA'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 and/or AC.
- Evaluating specific operations at the request of the Board and/or AC or management, as appropriate.

2 INDEPENDENCE AND OBJECTIVITY

The IA function will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of necessary independence and objectivity.

IA will have no 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 IA's judgment.

IA must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

IA will confirm to the AC of the Board, the CEO and applicable members of management, at least annually, the organizational independence of the IA function.

3 PROFICIENCY AND DUE PROFESSIONAL CARE

IA will govern itself in accordance with 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 IA's performance.

4 QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

IA will maintain a quality assurance and improvement program that covers all aspects of the internal audit function. Part of this will include performance of a quality review checklist for select internal audit projects on a quarterly basis, to verify quality standards of our work products.

5 MANAGING THE INTERNAL AUDIT FUNCTION

The CAE is delegated the authority and discretion to perform auditing and consulting services and to oversee the IA function. The CAE will promote a strong control environment and emulate appropriate "tone at the top." The CAE will also be responsible for maintaining a professional internal audit department who possess sufficient knowledge, skills, experience, and professional qualifications to meet the requirements of the IA charter.

In addition, the CAE will be responsible for overseeing the following aspects of the IA function:

- Developing and overseeing the execution of IA work programs which should address the appropriate scope and techniques required to achieve the audit objectives
- Overseeing the development of work papers that meet the quality standards required by management and are consistent with professional standards
- Coordinating alignment with other risk management and compliance functions

- Serving as a business partner to proactively identify risks and support execution of NYPA's strategies
- Maintaining updated job descriptions, roles, and competency maps for each level and updating the organizational chart as necessary
- Periodically reviewing critical hiring and recruiting needs as well as competency gaps
- Developing staff with skills that can be routed to other areas of the business
- Effectively onboarding new hires and providing core training materials as well as ongoing training and development that correlates to competency and career mapping
- Developing and deploying effective methodologies to execute the function's mandate
- Assessing and identifying appropriate technologies required to support the function and add value to NYPA

6 NATURE OF WORK

IA will establish a risk universe to define the auditable entities and risks that IA will monitor and mitigate. These elements will include operational, financial, compliance and strategic risk, as well as information technology. IA will generally perform two categories of IA activities:

- Audits – IA will provide an independent assessment of the performance of NYPA's risk management, control, and governance processes
- Consulting – IA will provide an advisory assessment, focused on process improvement opportunities and risk identification and mitigation development considerations within new processes or initiatives

7 ENGAGEMENT PLANNING & AUDIT PERFORMANCE

IA will perform an annual risk assessment to create an internal audit plan. As part of the risk assessment, IA will consider feedback from management at various levels, emerging risks, strategic objectives, prior year internal audit results, and significant upcoming changes, among others, to understand risks faced by NYPA. In addition to the development and execution of the internal audit plan, IA will be responsible for budget and resource allocation, managing personnel assigned to projects, scope determination, and communication protocols with management for each of its projects.

IA will execute the annual audit plan, including as appropriate, any special projects requested by the AC of the Board, the CEO and/or applicable members of management. As part of audit execution, IA will be responsible for:

- Establishing end-to-end audit timelines including ongoing risk monitoring activities, planning, fieldwork, required status meetings and reporting
- Establishing an understanding with the business regarding audit objectives, scope, timelines, and reporting of findings and recommendations
- Utilizing all records, personnel and physical properties within NYPA in an ethical manner, and in accordance with NYPA's policies and procedures, as to avoid undue interruption of normal operations
- Taking responsibility for employee privacy and confidentiality of information obtained during the audit

8 COMMUNICATING RESULTS

IA will review resulting IA reports and communicate all findings with appropriate management in a manner that will allow management to assess the adequacy of internal controls and understand remediation factors that should take place. IA will execute a report rating process whereby findings and reports will be rated and agreed upon with management prior to report issuance. Findings will be rated on a scale of high, medium and low, and reports will be evaluated as good, satisfactory, needs improvement and unsatisfactory. Ratings will be relative to the individual finding, risk categories, or risks to NYPA and may consider materiality or potential impact.

IA will provide reasonable and appropriate recommendations for corrective action plans (i.e., management action plans and/or management recommendations) which management will agree to, and provide IA with an action owner and timeline by which remediation is expected.

9 MONITORING PROCESS

Management action plans will be monitored on a quarterly basis. Any recommended action that, in the judgment of IA, does not receive adequate attention will be escalated to an appropriate level of management for resolution. The escalation process may involve successive levels of management and may include the Executive Management Committee, the CEO, and/or AC of the Board in the event a high rated finding is not timely or satisfactorily resolved. Management of the audited organization shall be notified of intent to escalate a particular issue and will be encouraged to participate.

IA will regularly report findings to management and the AC and/or Board through regular reporting and meetings. Regular reporting to management creates visibility into key processes and activities and enables management to address observations timely.