



Office of Internal Audit and Compliance

INTERNAL AUDIT CHARTER

Introduction

The New Orleans Regional Transit Authority (RTA)'s mission is to provide safe, dependable, efficient transit services to the residents of and visitors to the Greater New Orleans Region. The RTA created the Office of Internal Audit and Compliance (OIAC) with the intention of promoting efficiency and effectiveness and adding value.

The Institute of Internal Auditors (IIA) developed the International Professional Practices Framework (IPPF). The IPPF, more commonly known as the "Red Book" is a conceptual framework that organizes authoritative guidance promulgated by the IIA. They go on to define internal auditing as:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."¹

This internal audit charter is a formal document that aims to define the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.²

Mission and Purpose

The mission of the OIAC is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The purpose of the OIAC is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations.

Management of each RTA Department has the responsibility to ensure that:

- (i) organizational structure and policies/procedures within each Department establish a culture of operational efficiency
- (ii) standard operating procedures are established and regularly updated

¹ Definition provided by IIA and their International Professional Practices Framework (IPPF)

² Definition of "charter" in "2016, International Standards for the Professional Practice of Internal Auditing", Glossary pg. 21

- (iii) internal controls are developed to ensure compliance with applicable laws and regulations

Auditing Standards

The OIAC will govern itself by adherence to the mandatory elements of the IIA's International Professional Practices Framework, to the extent possible with available resources, 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. The OIAC will also follow the Generally Accepted Government Auditing Standards (GAGAS) and Standards for Internal Control in the Federal Government, known as the "Green Book," as promulgated by the U.S. Government Accountability Office (GAO) where applicable.

Authority

In an effort to maintain independence and objectivity, the OIAC will report functionally to the Chief Executive Officer and the Board of Commissioners, and administratively to the Chief Financial Officer. The Board shall delegate management of the Office of Internal Audit and Compliance to the Director of Audit Compliance, who fulfills the activity's mission and objectives through its authorization to:

- Communicate and interact directly with the Board³ and present any matter that may warrant immediate attention or action without management present.
- Present any matter and have direct access to the Chief Executive Officer and General Counsel that may warrant immediate attention or action.
- Allocate resources, select audit engagements, set frequencies of audits and follow-ups, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain the necessary assistance of RTA personnel as appropriate, as well as other specialized services from within or outside of RTA for internal audit engagements in accordance with departmental policies and procedures.

The Board authorizes the Director of Audit Compliance and the OIAC staff to:

- Have full, free, and unrestricted access to all RTA divisions, personnel, activities, confidential and non-confidential data and records, information systems, physical property, and contractors relevant to the performance of engagements; while adhering to the confidentiality and safeguarding of records and information and applicable state and federal laws.
- Audit or review any function, activity, or unit of the RTA, including vendors, contractors, and subcontractors in accordance with contract terms.

³ 1111 – Direct Interaction with the Board, the Chief Audit Executive must communicate and interact directly with the board

- Receive and review complaints from any source and investigate those complaints that are deemed credible or upon its own initiative conduct audits and reviews concerning alleged fraud, waste, abuse, illegal acts, and service deficiencies including deficiencies in the operation and maintenance of facilities.
- Obtain timely reports from management on actions proposed and taken pertaining to audit recommendations.
- Attend meetings relating to the procurement of goods or services and pose questions and raise concerns consistent with its functions, authority, and powers.
- Be prudent in the use and safeguarding of information acquired in performing the engagements.
- Engage in prevention activities, including but not limited to the prevention of fraud, waste, abuse, and illegal acts; review of rules, regulations, policies, procedures, and transactions; and the supplying, providing, and conducting of programs for training and education.

The Director and OIAC staff shall not direct the activities of any RTA employee not employed within the OIAC, except to the extent such personnel have been appropriately assigned to an audit engagement or to otherwise assist the internal auditors in production of the audit in a timely manner.

The Director of OIAC will meet with the Finance Committee no less than once per quarter to provide updates on OIAC's activity and other relevant information. In addition, the RTA Board of Commissioners and/or the Finance Committee may request that the OIAC be available as an informational resource at regular Board or Finance Committee meetings.

Independence And Objectivity

The Office of Internal Audit and Compliance will remain independent and free from control on matters of audit selection, scope, procedures, frequency, timing, and report content. The OIAC will also perform its duties with objectivity so that opinions, conclusions, and recommendations are impartial and viewed as impartial by knowledgeable third parties.

Operational Duties

The OIAC shall be independent of the activities it reviews and will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditors' independence. Internal auditors will not assess specific operations for which they had responsibility within the previous two years.

Potential Impairment of Independence

The Director of Audit Compliance will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to the Chief Financial Officer, the Board, or other appropriate parties.

- Exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
- Disclose to the Board any potential interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Where the Director of Audit Compliance has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. The Director will confirm to the Chief Executive Officer and the Board, at least annually, the organizational independence of the OIAC⁴.

Scope and Responsibility

The scope of OIAC encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of RTA's governance, risk management, policies and procedures, and internal controls as well as the quality of performance in fulfilling the assigned responsibilities to achieve RTA's stated goals and objectives.

This includes:

- Evaluating risk exposure relating to achievement of RTA'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 organization
- Evaluating the means of safeguarding assets, and, as appropriate, verifying the existence, proper allocation, and utilization 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 conducted as planned
- Monitoring and evaluating governance processes
- Monitoring and evaluating the effectiveness of risk management processes
- Performing consulting and advisory services related to governance, risk management, and control, as appropriate for RTA, provided the OIAC does not assume management responsibility.

⁴ 1110 – Organizational Structure, the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

- Reporting periodically on the OIAC's purpose, authority, responsibility, and performance relative to its plan (summarized below)
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters
- Evaluating specific operations at the request of the Board of Commissioners, Chief Executive Officer, or Chief Financial Officer
- Investigating allegations of fraud, waste, or abuse
- Considering the scope of work of all external auditors and other regulatory agencies, as appropriate

The Director of Audit Compliance will:

- Communicate to the Chief Financial Officer, Chief Executive Officer, and the Board of Commissioners resource requirements and the impact of resource limitations on the execution of the Annual Internal Audit Plan
- Review and adjust the Annual Internal Audit Plan, as necessary, in response to changes in RTA's business, risks, operations, programs, systems, and controls. Any significant changes to the annual audit plan will be communicated to the Chief Financial Officer, Chief Executive Officer, and the Board of Commissioners
- Request that the Senior Management of areas audited respond to audit findings and/or recommendations within fourteen (14) days after the Exit Conference
- Ensure OIAC collectively possess or obtain sufficient knowledge, skills, experience, and other competencies needed to meet the requirements established in this charter
- Ensure that the principles of integrity, objectivity, confidentiality, and competency are applied and upheld

Annual Internal Audit Plan

At least annually, the Director of Audit Compliance shall submit an Annual Internal Audit Plan to the Chief Executive Officer, Executive Leadership Team, and Board of Commissioners.

The Internal Audit Plan will include the following core elements:

- Summary of Departmental Audits conducted in the prior fiscal year
- Summary of Departmental Audits planned for the next fiscal year
- Work schedule, budget, and resource requirements for the next fiscal year

Audit Reporting

All audit reports shall be prepared, reviewed, and issued by the Manager of Audit Compliance, or a designee, after an approved internal audit engagement. Draft reports will be issued to all managerial and director level process/risk owners. Following the draft audit report's release, the final audit report will be issued to the Chief Executive Officer

and the Board of Commissioners. The OIAC will ensure that internal audit results are communicated to the RTA in a format that is in accordance with IIA standards⁵.

Internal audit reports shall include audit objectives, the scope and methodologies of the audit, background information, and recommendations and findings. Audit reports may include management's response to specific findings or recommendations, corrective action taken, or actions planned to be taken. Management's response, whether included within the original audit report or provided thereafter, should include corrective actions to be taken, a timetable for anticipated completion, and an explanation for any corrective actions that will not be implemented.

The Director of Audit Compliance or designee may participate in non-internal audit services work, consultations, and evaluations, authorized by the CEO, the Executive Leadership Team, or Senior Leadership, or special projects and investigations, approved by the Chief Executive Officer and Board of Commissioners, to improve procedures, controls, systems and/or efficiency of operations.

In that event, the OIAC shall issue reports or memos, documenting the project objectives, work performed, and results. The report or memo issued, as well as its corresponding workpapers may not be intended for distribution like an audit report, nor does it need to be, so long as the results are communicated in accordance with IIA standards⁶.

Compliance Monitoring

In accordance with IIA standards, the OIAC will develop a Recommendation and Corrective Action Monitoring Program⁷. The Director of Audit Compliance must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that the Executive Leadership Team has accepted the risk of not taking action. The follow-up process to monitor corrective actions shall be documented. The Director or designee will report on the status of the Corrective Actions regularly to the Executive Leadership Team, Chief Executive Officer, and Board of Commissioners.

When the Director of Audit Compliance concludes that management has accepted a high level of risk that may be harmful to the organization, the Director of Audit Compliance must discuss the matter with the Chief Executive Officer prior to reporting the acceptance of the risk. In addition, if the Director determines that corrective actions have not been

⁵ 2400 – Communicating Results, internal auditors must communicate the results of engagements.

⁶ 2400 – Communicating Results, internal auditors must communicate the results of engagements.

⁷ 2500 – Monitoring Progress, the chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

resolved in a timely manner⁸, the Director must communicate the matter directly to the Board of Commissioners⁹.

Quality Assurance and Improvement Program

Indicating that engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing” is appropriate only if supported by the results of the quality assurance and improvement program¹⁰.

The OIAC will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of OIAC’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

It is the requirement of the Director of Audit Compliance to report periodically the results of its quality assurance and improvement program to the Chief Executive Officer and the Board of Commissioners and to obtain an external assessment of the activity at least once every five years¹¹.

Mark Raymond
Chairman of RTA Board of Commissioners

Lona Hankins
Chief Executive Officer

Gizelle Banks
Chief Financial Officer



Lynette Doyle
Director of Audit Compliance

⁸ 2600 – Communicating the Acceptance of Risks, When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

⁹ 1322 – Disclosure of Nonconformance, when nonconformance with the Code of Ethics or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.

¹⁰ 2430 – Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”

¹¹ 1312 – External Assessments, must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.