Port of Seattle Internal Audit Department Charter

I. INTRODUCTION

The Port of Seattle maintains an internal audit function that has a dual reporting responsibility to the Audit Committee and the Executive Director. This Charter defines the Internal Audit Department's authority and accountability, mission, scope; responsibility, independence; objectivity; and commitment to quality.

II. AUTHORITY AND ACCOUNTABILITY

Internal Audit derives its authority from the Port of Seattle Commission. The Audit Committee, acting on behalf of the Commission provides oversight authority on matters relating to the Port's internal control environment. Two Port Commissioners serve as members of the Audit Committee and are complemented by an external member. In discharging their duty, the Internal Audit Director and his or her staff are accountable to the Audit Committee and to the Executive Director.

Internal Audit conducts audits of Port departments, programs, functions, systems, contracts, and activities based on the department's approved audit plan, or that have been discussed with the Audit Committee. Internal Audit also conducts specific management requests and advisory engagements based on resource availability.

Internal Audit is authorized to:

- Have full, free and unrestricted access to all Port functions, activities, personnel, records, property, systems, and other relevant materials necessary to accomplish their work
- Access information from contracted third parties in accordance with contractual terms
- Handle all documents with the same prudence of personnel normally accountable for them
- Have full access to the Audit Committee and to the Port Commission, as needed
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives
- Obtain required assistance from Port personnel and external specialists (Consultants)

III. MISSION AND SCOPE OF WORK

The Internal Audit Department's mission is to conduct independent and objective, risk-based audits, of the Port's operations, activities, and vendors. Our audits add value by helping advance the Port's mission and values.

Internal Audit evaluates whether the Port's network of controls, as designed and represented by management, are adequate and functioning effectively.

Internal Audit also provides advisory services (consulting), when they do not impair independence.

IV. RESPONSIBILITY

A. The Director and His or Her Staff will:

- Develop a flexible annual audit plan using an appropriate risk-based methodology and submit that plan to the Audit Committee for review and approval
- Implement the approved audit plan, including any special projects requested by management and the Audit Committee
- Maintain a professional staff with appropriate knowledge, skills, experience, and certifications
- Maintain a quality assurance and improvement program to evaluate and ensure the internal audit function conforms to the Global Internal Audit Standards
- Provide advisory services that support management objectives without impairing independence
- Evaluate new or changing services, processes, operations, and controls as needed
- Issue audit reports to the Audit Committee and present a summary of the reports at the quarterly Audit Committee meetings
- Keep the Audit Committee informed of emerging trends and practices in internal auditing
- Periodically report on progress of the annual audit plan and adequacy of department resources
- Investigate suspected fraudulent activities within the organization and notify management and the Audit Committee of the results
- Consider the scope of work of external auditors and regulators to promote efficient and coordinated audit coverage
- Follow up on audit issues, to assure agreed-upon corrective actions have been implemented
- Exercise due professional care in all engagements
- Provide an annual communication to the Audit Committee on organizational independence, charter review, and results of the quality assurance and improvement program

B. Port Management is Responsible To:

- Maintain an effective system of internal controls, document policies and procedures, and ensure information is accurate and reliable
- Comply with laws and regulations including Port policies and procedures
- Cooperate fully with auditors during the discharge of their duties, including making available, personnel and material, or information requested
- Provide a timely response to audit findings and recommendations

V. INDEPENDENCE & OBJECTIVITY

Independence is the freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner.[1]

Objectivity is an unbiased mental attitude that allows internal auditors to make professional judgments, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise. [1]

To safeguard independence and objectivity:

- Internal Auditors will not engage in operational activities they normally audit
- Internal Audit may participate in planning processes, committees, or special projects
- If the Chief Audit Executive (CAE) takes on non-audit roles that might impair or appear to impair Internal Audit's independence, the CAE will develop appropriate safeguards and discuss them with the Audit Committee
- Internal Audit will maintain organizational Independence by functionally reporting to the Audit Committee and administratively reporting to the Executive Director
- All internal audit activities shall remain free from interference relative to matters of audit selection, scope, procedures, frequency, timing, or report content
- The Audit Committee will regularly review the Internal Audit Department's staffing requirements, including its annual budget, and make recommendations for approval to the full Commission

VI. COMMITMENT TO QUALITY -- STANDARDS OF AUDIT PRACTICE

Internal Auditors will provide outstanding audit service through timely, unbiased, value-added audit and advisory services.

Internal Auditors will maintain and continually develop their competencies to improve the effectiveness and quality of their work.

Internal Audit will perform an annual self-assessment and will address instances of nonconformance in a timely manner.

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[1] Global Internal Audit Standards 2024

The Internal Audit Staff Will Adhere to the Following Professional Standards and Codes:

- The Global Internal Audit Standards (the Standards) of the Institute of Internal Auditors (Red Book)
- ISACA Audit and Assurance Standards (IT Audit)
- The Port of Seattle Employee's Code of Conduct
- The Port of Seattle Internal Audit Handbook, including its protocols, policies, and procedures

The Internal Audit Department Charter may be modified by a written document executed by all the participating parties. This Charter will be effective upon execution and will continue indefinitely until it is modified.

IN WITNESS WHEREOF, the parties hereto have caused this Internal Audit Charter to be executed by their proper officers thereunto duly authorized, and their official seals to be affixed as of _____________, 2026.

___________________________________ Date: ______________________

Fred Felleman
Audit Committee Chair

___________________________________ Date: ______________________

Commissioner Ryan Calkins
Port Commission President / Audit Committee Member

___________________________________ Date: ______________________

Commissioner Hamdi Mohamed
Port Commissioner

___________________________________ Date: ______________________

Steve Metruck
Executive Director

___________________________________ Date: ______________________

Glenn Fernandes
Internal Audit Director