

TRA Internal Audit Charter

I. Purpose and Mission

The purpose of this charter is to provide a framework of governance for TRA's internal audit activity to fulfill its mission and responsibilities. The purpose of TRA's internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve TRA's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps TRA accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and various governance processes.

II. Standards for the Professional Practice of Internal Auditing

The internal audit activity will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing.

The internal audit activity will also follow the Generally Accepted Government Auditing Standards (GAGAS) from the United States Government Accountability Office (GAO) and the Statements on Auditing Standards and Code of Ethics issued by the American Institute of Certified Public Accountants (AICPA), as applicable.

The chief audit executive will report periodically to the Executive Team, the Audit Committee, and the Board of Trustees regarding the internal audit activity conformance to items above.

III. Authority

The Audit Committee and the Board of Trustees authorize the internal audit activity to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of TRA, as well as other specialized services from within or outside TRA, in order to complete the engagement.

The chief audit executive will have unrestricted access to, and communicate and interact directly with, the Audit Committee and the Board of Trustees, including in private meetings without management present.

The chief audit executive will report functionally to the Audit Committee and Board of Trustees and administratively (i.e., day-to-day operations) to the Executive Director.

IV. Independence and Objectivity

To provide for the maximum level of independence of the internal audit activity, the chief audit executive will report functionally to the TRA Audit Committee and administratively to the TRA Executive Director. The chief audit executive shall freely discuss audit policies, audit findings and recommendations, audit follow-up, guidance issues, and other matters with staff as necessary.

The chief audit executive will ensure that the internal audit activity remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief audit executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors 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 their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for TRA.
- Initiating or approving transactions external to the internal audit activity
- Directing the activities of any TRA employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the chief audit executive 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.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit 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.

The chief audit executive will confirm to the Audit Committee and the Board of Trustees at least annually, the organizational independence of the internal audit activity.

The chief audit executive will disclose to the Audit Committee and the Board of Trustees any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

V. Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee and the Board of Trustees, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for TRA. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of TRA's strategic objectives are appropriately identified and managed.
- The actions of TRA's executives, trustees, staff, and contractors are in compliance with TRA's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact TRA.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The chief audit executive will report periodically to the Executive Team, the Audit Committee and the Board of Trustees regarding:

- The internal audit activity's purpose, authority, and responsibility.
- The internal audit activity's plan and performance relative to its plan.
- The internal audit activity's conformance with The IIA's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee and the Board of Trustees.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to TRA.

The chief audit executive also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit activity may perform advisory and related activities, the nature and scope of which will be agreed with the client, provided the internal audit activity does not assume any management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

VI. Responsibility

The chief audit executive has the responsibility to:

- Perform a periodic, comprehensive evaluation of risk management and internal controls and assist the Executive Team and Management Team in their assessment of internal controls.
- Submit, at least annually, a risk-based internal audit plan to the Executive and Management Teams for review and the Audit Committee and Board of Trustees for approval.

- Communicate to the Executive Team, the Audit Committee, and the Board of Trustees the impact of resource limitations on the annual internal audit plan and any significant interim changes to the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in TRA’s business, risks, operations, programs, systems, and controls.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to the Executive Team, the Audit Committee, and the Board of Trustees any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit activity collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact TRA are considered and communicated to the Executive Team, the Audit Committee, and the Board of Trustees as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit activity.
- Ensure adherence to TRA’s relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Executive Team, the Audit Committee, and the Board of Trustees.
- Consult, as requested, on potential policy and procedure changes.
- Ensure conformance of the internal audit activity with the *Standards*, with the following qualifications:
 - If the internal audit activity is prohibited by law or regulation from conformance with certain parts of the *Standards*, the chief audit executive will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
 - If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the chief audit executive will ensure that the internal audit activity conforms to the *Standards*, even if the internal audit activity also conforms to the more restrictive requirements of other authoritative bodies.

VII. Quality Assurance and Improvement Program

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

The chief audit executive will communicate to the Executive Team, Audit Committee, and Board of Trustees on the internal audit activity’s quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every three years by a qualified, independent assessor or assessment team from outside TRA.

Appendix A – Charter Version History

Changes / Action	Audit Committee Approval	Board of Trustees Approval
Combined charter separated into Audit Committee and Internal Audit charters.	11/13/2018	11/14/2018

Note: Changes and Actions to the prior combined TRA Internal Audit Charter can be found in Appendix B of the version approved November 14, 2017 by the Audit Committee and December 13, 2017 by the Board of Trustees.