

RESOLUTION NO. 2020-3

AMENDING CHAPTER 262 INTERNAL AUDIT CHARTER OF THE CODIFIED
RULES AND REGULATIONS OF THE GREATER CLEVELAND REGIONAL
TRANSIT AUTHORITY

WHEREAS, the Policies and Procedures of the Board of Trustees were codified in 1989, pursuant to Resolution 1989-176; and

WHEREAS, the Internal Audit Charter was adopted in 1988, pursuant to Resolution No. 1988-207, repealed and re-enacted by Resolution No. 1992-28 and reviewed and amended by Resolution No. 1997-199; and

WHEREAS, in February 2019, the Board of Trustees adopted a new Internal Audit Charter pursuant to Resolution No. 2019-25; and

WHEREAS, in the fall of 2019, the new General Manager, Chief Executive Officer and the Board reviewed the sections of the Authority's Bylaws and Code, including the revised Internal Audit Charter; and

WHEREAS, changes to the Bylaws and the Code regarding Internal Audit were recommended to the Board; and

WHEREAS, proposed revisions to Chapter 262 Internal Audit Charter were reviewed by the Board Committee of the Whole; and

WHEREAS, the Board wishes to adopt revisions to Chapter 262 Internal Audit Charter.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1. That Chapter 262 of the Codified Rules and Regulations of the Greater Cleveland Regional Transit Authority ("Code") is hereby amended to read as provided in Attachment A to this resolution.

Section 2. That the Board of Trustees hereby waives the fourteen-day period provided for in Article X, Section 2 of the current Bylaws.

Section 4. That this resolution shall become effective immediately upon its adoption.

Attachment: Chapter 262 Internal Audit Charter

Adopted: January 21, 2020


President

Attest: 
Interim Secretary-Treasurer.



Attachment A to Resolution

Chapter 262: Greater Cleveland Regional Transit Authority Internal Audit Charter

262.01 Purpose and Mission:

- (a) The purpose of the Greater Cleveland Regional Transit Authority's Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve GCRTA'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 Department helps GCRTA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.
- (b) The Internal Audit Department functions as the inspector general for the GCRTA. The mission of the inspector general is to detect and deter waste, fraud, abuse, and misconduct in GCRTA programs and personnel, and to promote economy and efficiency in those programs. These responsibilities include initiating and conducting inspections and investigations of GCRTA operations and activities. Also, forwarding to the appropriate authorities evidence of criminal wrongdoing that is discovered as a result of any inspection or investigation.

262.02 Standards for the Professional Practice of Internal Auditing:

The Internal Audit Department 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 ("Standards"), and the Definition of Internal Auditing. The Executive Director of Internal Audit will report periodically to executive management and the Board of Trustees regarding the Internal Audit Department's conformance to the Code of Ethics and the Standards.

262.03 Authority:

- (a) The Executive Director of Internal Audit will report functionally to the Board of Trustees and administratively (i.e., day-to-day operations) to the General Manager, CEO, serving as a member of the Authority's Executive Management Team. The Executive Director of Internal Audit shall perform such audit activities as directed by the Board and directed by the General Manager, CEO as needed.
- (b) To establish, maintain, and assure the GCRTA's Internal Audit Department has sufficient authority to fulfill its duties, the Board of Trustees will:
 - (1) Approve the Internal Audit Department's charter.
 - (2) Approve the risk-based internal audit plan.
 - (3) Approve the Internal Audit Department's budget and resource plan.
 - (4) Receive communications from the Executive Director of Internal Audit on the Internal Audit Department's performance relative to its plan and other matters.
 - (5) Make decisions regarding the hiring, salary, promotion, demotion and termination of the Executive Director of Internal Audit.
 - (6) Consult with the General Manager, CEO regarding the evaluation of the Executive Director of Internal Audit.

- (7) Make appropriate inquiries of management and the Executive Director of Internal Audit to determine whether there is inappropriate scope or resource limitations.
- (c) The Executive Director of Internal Audit will have unrestricted access to, and communicate and interact directly with the Board of Trustees.

262.04 The Board of Trustees authorizes the Internal Audit Department to:

- (a) 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.
- (b) Allocate resources, set frequencies, select subjects, determine scopes of work, and apply techniques required to accomplish audit objectives and issue reports.
- (c) Obtain assistance from the necessary personnel of the GCRTA, as well as other specialized services from within or outside the GCRTA, in order to complete the engagement.

262.05 Independence and Objectivity:

- (a) The Executive Director of Internal Audit will ensure the Internal Audit Department 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 Executive Director of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the General Manager, CEO and Board of Trustees.
- (b) Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner, they believe in their work product, that no quality compromises are made, and they do not subordinate their judgment on audit matters to others.
- (c) 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:
 - (1) Assessing specific operations for which they had responsibility within the previous year.
 - (2) Performing any operational duties for GCRTA or its affiliates.
 - (3) Initiating or approving transactions external to the Internal Audit Department.
 - (4) Directing the activities of any GCRTA employee not employed by the Internal Audit Department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.
- (d) Where the Executive Director of Internal Audit 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.
- (e) Internal auditors will:
 - (1) Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.

- (2) Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
 - (3) Make balanced assessments of all available and relevant facts and circumstances.
 - (4) Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
- (f) The Executive Director of Internal Audit will confirm to the Board of Trustees at least annually, the organizational independence of the Internal Audit Department.
- (g) The Executive Director of Internal Audit will disclose to the Board of Trustees any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

262.06 Scope of Internal Audit Activities:

- (a) 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 Board of Trustees, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for GCRTA. Internal audit assessments include evaluating whether:
- (1) Risks relating to the achievement of GCRTA's strategic objectives are appropriately identified and managed.
 - (2) The actions of GCRTA's trustees, executive management, directors, employees, and contractors are in compliance with GCRTA's policies, procedures, and applicable laws, regulations, contracts and agreements, and governance standards.
 - (3) The results of operations or programs are consistent with established goals and objectives.
 - (4) Operations or programs are being carried out effectively and efficiently.
 - (5) Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the GCRTA.
 - (6) Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
 - (7) Resources and assets are acquired economically, used efficiently, and protected adequately.
- (b) The Executive Director of Internal Audit will report at least quarterly to the General Manager, CEO, executive management and the Board of Trustees regarding:
- (1) The Internal Audit Department's purpose, authority, and responsibility.
 - (2) The Internal Audit Department's plan and performance relative to its plan.
 - (3) The Internal Audit Department's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
 - (4) Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, executive management or the Board of Trustees.
 - (5) Results of audit engagements or other activities.
 - (6) Resource requirements.
 - (7) Any response to risk by management that may be unacceptable to the GCRTA.
- (c) The Executive Director of Internal Audit 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 Department may perform advisory and related client service activities,

the nature and scope of which will be agreed with the client, provided the Internal Audit Department does not assume management responsibility.

- (d) 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.

262.07 Responsibility:

- (a) The Executive Director of Internal Audit has the responsibility to:

- (1) Submit, at least annually, to the General Manager, CEO, executive management and the Board of Trustees a risk-based internal audit plan for review and approval.
- (2) Communicate to the General Manager, CEO, executive management and the Board of Trustees the impact of resource limitations on the internal audit plan.
- (3) Review and adjust the internal audit plan, as necessary, in response to changes in the GCRTA's business, risks, operations, programs, systems, and controls.
- (4) Communicate to the General Manager, CEO, executive management and the Board of Trustees any significant interim changes to the internal audit plan.
- (5) 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.
- (6) All assurance audit, investigative and internal consulting reports will be provided to the CEO, General Manager and appropriate management for review and response.
- (7) Follow up on engagement findings and corrective actions, and report periodically to the General Manager, CEO, executive management and the Board of Trustees any corrective actions not effectively implemented.
- (8) Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- (9) Ensure the Internal Audit Department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter. This includes seeking legal advice and counsel from the GCRTA General Counsel, Deputy General Manager for Legal Affairs.
- (10) Ensure trends and emerging issues that could impact the GCRTA are considered and communicated to the General Manager, CEO, executive management and the Board of Trustees as appropriate.
- (11) Ensure emerging trends and successful practices in internal auditing are considered.
- (12) Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Department.
- (13) Ensure adherence to the GCRTA'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 General Manager, CEO, executive management and the Board of Trustees.
- (14) Ensure conformance of the Internal Audit Department with the Standards, with the following qualifications:
 - If law or regulation from conformance with certain parts of the Standards prohibits the Internal Audit Department, the Executive Director of Internal Audit 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 Executive Director of Internal Audit will ensure the Internal Audit Department conforms with the Standards, even if the Internal Audit Department also conforms with the more restrictive requirements of other authoritative bodies.

262.08 Quality Assurance and Improvement Program:

- (a) The Internal Audit Department will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Department. The program will include an evaluation of the Internal Audit Department'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 Department and identify opportunities for improvement.
- (b) The Executive Director of Internal Audit will communicate to the General Manager, CEO, executive management and the Board of Trustees on the Internal Audit Department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside GCRTA.

262.09 Periodic Review and Amendment:

- (a) The Internal Audit Charter delineated herein will be subject to review and revision by the Board of Trustees at least once every three years. This does not preclude the Board of Trustees from revising specific policies included herein or adding additional policies should the Board of Trustees determine that the best interests of the public and/or the Authority would be served by making such a revision.
- (b) Any member of the Board of Trustees, the General Manager, CEO or the Executive Director of Internal Audit can initiate or propose revisions to this charter.
- (c) Proposed amendments or revisions to this charter will be subject to review and study by the Audit Committee of the Board of Trustees. The Audit Committee will make recommendations on any proposed amendment or revision to the Board of Trustees. The Board of Trustees must approve any amendment or revision by majority vote before said amendment or revision will become official policy of the Authority.



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: AMENDING CHAPTER 262 INTERNAL AUDIT CHARTER OF THE CODIFIED RULES AND REGULATIONS OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY	Resolution No.: 2020-3
	Date: January 16, 2020
	Initiator: Executive
ACTION REQUEST: <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

- 1.0 PURPOSE/SCOPE: This resolution will amend Chapter 262 Internal Audit Charter of the Codified Rules and Regulations ("Code") of the Greater Cleveland Regional Transit Authority.

DESCRIPTION/JUSTIFICATION: The Policies and Procedures of the Board of Trustees were codified in 1989, pursuant to Resolution 1989-176. The Internal Audit Charter was adopted in 1988, pursuant to Resolution No. 1988-207, repealed and re-enacted by Resolution No. 1992-28 and reviewed and amended by Resolution No. 1997-199. In February 2019, the Board of Trustees adopted a new Internal Audit Charter pursuant to Resolution No. 2019-25.

In September 2019, the Board of Trustees hired a new General Manager, Chief Executive Officer. At the request of the President of the Board of Trustees, the General Manager, Chief Executive Officer reviewed the sections of the Authority's Bylaws and Code, including the revised Internal Audit Charter. Following review and discussions with the Board, including discussions at meetings of the Board Committee of the Whole held on October 1, 2019 and January 9, 2020, and discussions with the Executive Director of Internal Audit, revisions were proposed to both the Bylaws and the Code regarding Internal Audit.

- 2.0 PROCUREMENT BACKGROUND: Does not apply.
- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: Does not apply.
- 5.0 POLICY IMPACT: Adoption of the resolution will result in a current Internal Audit Charter that reflects the structure and relationship among the Board, General Manager and the Executive Director of Internal Audit.
- 6.0 ECONOMIC IMPACT: Does not apply.
- 7.0 ALTERNATIVES: Not adopting this resolution. Not adopting this resolution will result in maintaining code provisions that do not accurately reflect the Authority's processes and relationships.
- 8.0 RECOMMENDATION: This resolution was discussed by the Board of Trustees Committee of the Whole at a special meeting on January 9, 2020. It is recommended that this resolution be adopted.

9.0 ATTACHMENT A: Redline copy of revisions to Chapter 262

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.

A handwritten signature in cursive script, appearing to read "Andrea L. Ryz", is written over a horizontal line.

General Manager, Chief Executive Officer

Attachment A to Staff Summary

Chapter 262: Greater Cleveland Regional Transit Authority Internal Audit Charter

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- (7) Make appropriate inquiries of management and the Executive Director of Internal Audit to determine whether there is inappropriate scope or resource limitations.

(b)(c) _____ The Executive Director of Internal Audit will have unrestricted access to, and communicate and interact directly with the Board of Trustees, ~~including in private meetings without management present.~~

262.04 The Board of Trustees authorizes the Internal Audit Department to:

- (a) 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.
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- (b) Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner, they believe in their work product, that no quality compromises are made, and they do not subordinate their judgment on audit matters to others.
- (c) 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:
 - (1) Assessing specific operations for which they had responsibility within the previous year.
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- (1) Risks relating to the achievement of GCRTA's strategic objectives are appropriately identified and managed.
- (2) The actions of GCRTA's trustees, executive management, directors, employees, and contractors are in compliance with GCRTA's policies, procedures, and applicable laws, regulations, contracts and agreements, and governance standards.
- (3) The results of operations or programs are consistent with established goals and objectives.
- (4) Operations or programs are being carried out effectively and efficiently.
- (5) Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the GCRTA.
- (6) Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- (7) Resources and assets are acquired economically, used efficiently, and protected adequately.

(b) The Executive Director of Internal Audit will report ~~Quarterly~~ at least quarterly to the General Manager, CEO, executive management and the Board of Trustees regarding:

- (1) The Internal Audit Department's purpose, authority, and responsibility.
- (2) The Internal Audit Department's plan and performance relative to its plan.
- (3) The Internal Audit Department's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- (4) Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, executive management or the Board of Trustees.
- (5) Results of audit engagements or other activities.
- (6) Resource requirements.

(7) Any response to risk by management that may be unacceptable to the GCRTA.

- (c) The Executive Director of Internal Audit 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 Department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit Department does not assume management responsibility.
- (d) 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.

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- (1) Submit, at least annually, to the General Manager, CEO, executive management and the Board of Trustees a risk-based internal audit plan for review and approval.
internal audit plan for review and approval.
- (2) Communicate to the General Manager, CEO, executive management and the Board of Trustees the impact of resource limitations on the internal audit plan.
- (3) Review and adjust the internal audit plan, as necessary, in response to changes in the GCRTA's business, risks, operations, programs, systems, and controls.
- (4) Communicate to the General Manager, CEO, executive management and the Board of Trustees any significant interim changes to the internal audit plan.
- (5) 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.
- (6) All assurance audit, investigative and internal consulting reports will be provided to the CEO, General Manager and appropriate management for review and response.
- (7) Follow up on engagement findings and corrective actions, and report periodically to the General Manager, CEO, executive management and the Board of Trustees any corrective actions not effectively implemented.
- (8) Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- (9) Ensure the Internal Audit Department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter. This includes seeking legal advice and counsel from the GCRTA General Counsel, Deputy General Manager for Legal Affairs.
- (10) Ensure trends and emerging issues that could impact the GCRTA are considered and communicated to the General Manager, CEO, executive management and the Board of Trustees as appropriate.
- (11) Ensure emerging trends and successful practices in internal auditing are considered.
- (12) Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Department.
- (13) Ensure adherence to the GCRTA'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 General Manager, CEO, executive management and the Board of Trustees.
- (14) Ensure conformance of the Internal Audit Department with the Standards, with the following

qualifications:

- If law or regulation from conformance with certain parts of the Standards prohibits the Internal Audit Department, the Executive Director of Internal Audit 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 Executive Director of Internal Audit will ensure the Internal Audit Department conforms with the Standards, even if the Internal Audit Department also conforms with the more restrictive requirements of other authoritative bodies.

262.08 Quality Assurance and Improvement Program:

- (a) The Internal Audit Department will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Department. The program will include an evaluation of the Internal Audit Department'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 Department and identify opportunities for improvement.
- (b) The Executive Director of Internal Audit will communicate to ~~senior~~the General Manager, CEO, executive management and the Board of Trustees on the Internal Audit Department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside GCRTA.

262.09 Periodic Review and Amendment:

- (a) The Internal Audit Charter delineated herein will be subject to review and revision by the Board of Trustees at least once every three years. This does not preclude the Board of Trustees from revising specific policies included herein or adding additional policies should the Board of Trustees determine that the best interests of the public and/or the Authority would be served by making such a revision.
- (b) Any member of the Board of Trustees, the ~~CEO, General Manager, CEO~~ or the Executive Director of Internal Audit can initiate or propose revisions to this charter.
- (c) Proposed amendments or revisions to this charter will be subject to review and study by the Audit Committee of the Board of Trustees. The Audit Committee will make recommendations on any proposed amendment or revision to the Board of Trustees. The Board of Trustees must approve any amendment or revision by majority vote before said amendment or revision will become official policy of the Authority.