



Metro

Management Audit Services Audit Charter

I. INTRODUCTION

Los Angeles County Metropolitan Transportation Authority (LACMTA) maintains an active audit function under the direction of Deputy Chief Executive Officer (DCEO); with responsibility to report its activities to the Chief Executive Officer (CEO) and the Board. This charter defines the mission, scope, commitment to quality, authority and accountability, independence, and responsibility of LACMTA's audit department, Management Audit Services.

II. MISSION

Management Audit Services provides highly reliable, independent, objective assurance and consulting services designed to add value and improve LACMTA's operations. Management Audit Services ~~accomplishes this~~ helps LACMTA Metro accomplish its objectives by understanding LACMTA's strategies and by bringing a systematic, disciplined, and risk-based approach ~~to~~ evaluating and recommending improvements to the effectiveness of risk management, controls and governance processes.

III. SCOPE

The scope of work performed by Management Audit Services is to determine whether LACMTA's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning to ensure:

- Risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable and timely;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, projects and objectives are achieved;
- Quality and continuous improvement are fostered;
- Significant legislative or regulatory issues impacting LACMTA are recognized, addressed appropriately and interaction with governance groups occurs;
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations; and
- Opportunities for improving management control, streamlining processes, and improving public perception may be identified during audits. These will be communicated to the appropriate level of management.



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IV. COMMITMENT TO QUALITY

Management Audit Services commits to providing world-class service through timely, unbiased, value-added assurance and consulting services. We will work as a team with our clients to improve processes and meet strategic goals and objectives. We will enhance the services we provide by continuously improving our audit activities. Management Audit Services adheres to the following professional standards and codes:

- Government Auditing Standards promulgated by the Comptroller General of the United States;
- [International Standards for the Professional Practice of Internal Auditing \(Standards\) including Mandatory Elements issued by the Institute of Internal Auditors International Professional Practices Framework](#);
- Information Systems Auditing Standards promulgated by the Information Systems Audit and Control Association;
- LACMTA's Employee Code of Conduct and Administrative Code;
- Institute of Internal Auditor's Code of Ethics, and
- Management Audit Services' Audit Policy Manual and applicable procedures.

V. AUTHORITY AND ACCOUNTABILITY

Management Audit Services audits all departments, programs, functions, systems, contracts and activities based on the approved audit plan or specific requests that have been approved by the CEO.

Management Audit Services is authorized to:

- Have full, free and unrestricted access to all information, functions, operations, systems, property, personnel and other relevant materials necessary to accomplish its work. All employees will cooperate fully in making available material or information requested by Management Audit Services or any external auditors managed by Management Audit Services. Access to contracted third parties will be handled in accordance with contractual terms. Management Audit Services staff signs Confidentiality Statements annually. Documents provided to Management Audit Services will be handled in the same prudent manner as by those employees normally accountable for them;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in functions where audits are being performed, as well as other specialized services from external consultants.



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Management Audit Services is not authorized to:

- Initiate or approve accounting transactions external to Management Audit Services and
- Direct the activities of any employee not part of Management Audit Services, except to the extent such employees have been appropriately assigned to auditing teams.

Management Audit Services, in the discharge of duties, is accountable to the DCEO, CEO and the Board of Directors to:

- Report significant issues related to the processes for controlling the activities, including potential improvements to those processes, and provide information concerning such issues through resolution; and
- Provide periodic information on the status and results of the annual audit plan and the adequacy of progress as it relates to management action plans.

VI. INDEPENDENCE

Management Audit Services is independent of the activities it reviews. Specifically, Management Audit Services staff may not review areas where they were responsible for the design or operation of the area. Auditors are responsible for maintaining their independence and integrity in all services they provide.

All Management Audit Services activities shall remain free from interference relative to matters of audit selection, scope, procedures, frequency, timing, or report content to maintain independence and objectivity. The Chief Auditor shall report any impairment to independence, or unjustified restriction or limitation to audit selection, scope, procedures, frequency, timing or report content promptly to the [DCEO/Office of the CEO \(OCEO\)](#) and the Board.

As a means of ensuring independence, Management Audit Services will report to the [DCEO/OCEO](#) and the Board of Directors. This structure permits the rendering of impartial and unbiased judgment essential to the proper conduct of audits. The Board of Directors' will review and concur in the appointment, replacement or dismissal of the Chief Auditor of Management Audit Services.

VII. RESPONSIBILITIES

A. Management Audit Services is responsible for:

- Developing and executing a flexible risk based audit plan [which considers LACMTA's objectives and strategies](#), including any risks or control concerns



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- identified by management; and submitting that plan to the [DCEO/CEO](#) and Board of Directors for review and approval;
- Preparing or updating the agency-wide risk assessment annually and incorporating the results into the annual audit plan;
 - Implementing the annual audit plan, as approved, including as appropriate, any special tasks or projects requested by management ;
 - Reporting significant audit findings to management and the Board of Directors;
 - Providing management with adequate time to respond to audit findings and including management's response in the final report;
 - Following up on audits to ensure agreed-upon corrective actions have been taken and provide periodic follow up reports;
 - Presenting quarterly reports to the Board highlighting progress on the Audit Plan;
 - Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
 - Conducting objective and constructive assurance services, which include performance and attestation audits;
 - Consulting services, which are advisory in nature, can be provided as long as the services do not impair -Management Audit Services' independence and fall within the scope outlined in the Charter;
 - Exercising due professional care in all of our work products;
 - Conducting ourselves at all times in a professional manner;
 - Coordinating external audits of [LACMTA](#);
 - Considering external auditors and regulators' scopes of work, as appropriate, for the purpose of providing optimal audit coverage at a reasonable overall cost; and
 - Referring suspected fraud, waste, or abuse promptly to the Inspector General.

B. Management is responsible for:

- Maintaining an effective system of internal controls, documenting policy and procedures, and ensuring information is accurate and reliable;
- Complying with policies and procedures;
- Cooperating fully with auditors during discharge of their duties including prompt reply to -Management Audit Services requests and recommendations; and
- Providing a response to audit findings and recommendations. Assuring timely implementation of agreed upon corrective action(s) to audit recommendations.



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

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IN WITNESS WHEREOF, the parties hereto have caused this Audit Charter to be executed by their proper officers thereunto duly authorized, and their official seals to be affixed as of ~~February _____, 2016~~ October _____, 2018

Los Angeles County Metropolitan Transportation Authority

Board of Directors

Phillip A. Washington

By _____
Board Secretary

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