

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

CHARTER FOR THE OFFICE OF THE CHIEF AUDITOR

Purpose

The purpose of the Office of the Chief Auditor is to strengthen the San Diego County Regional Airport Authority's (Authority) ability to create, protect, and sustain value by providing the Board of Directors (Board), Audit Committee, and executive management with independent, risk-based, and objective assurance advice, insight, and foresight.

The Office of the Chief Auditor enhances the Authority's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The Office of the Chief Auditor is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor's (IIA) Global Internal Audit Standards, which are set in the public interest.
- The Office of the Chief Auditor is independently positioned with direct accountability to the Board and Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The Office of the Chief Auditor will adhere to the mandatory elements of the IIA's International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Auditor will report periodically to the Authority's Audit Committee/Board and executive management regarding the Office of the Chief Auditor's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

The Chief Auditor shall be accountable to the Board under Public Utilities Code §170026, and pursuant to the Chief Auditor's employment agreement. The Office of the Chief Auditor assists the Audit Committee in discharging the duties described in

Public Utilities Code §170018. The Office of the Chief Auditor also assists executive management in achieving Authority objectives. To assist the Audit Committee/Board and executive management, the Office of the Chief Auditor will perform assurance and advisory services on Authority activities. Services include, but are not limited to, reviews of internal controls, operating effectiveness, operating efficiencies, ethical behavior, expenditures, and compliance with Authority Code's, Policies, Standards, and procedures. The sections below provide further details on the mandate of the Office of the Chief Auditor.

Authority

The Office of the Chief Auditor's authority is created by its direct reporting relationship to the Board through the Audit Committee. Such authority allows for unrestricted access to the Board and Audit Committee.

The Board/Audit Committee authorizes the Office of the Chief Auditor to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish objectives.
- Obtain assistance from the necessary personnel of the Authority and other specialized services from within or outside the Authority to complete internal audit services. Assistance from other departments within the Authority will be coordinated with executive management.

Independence, Organizational Position, and Reporting Relationships

Changes to Mandate of the Office of the Chief Auditor or Charter

Circumstances may justify a follow-up discussion between the Chief Auditor, Board or Audit Committee, and executive management on the Office of the Chief Auditor's mandate or other aspects of the Charter for the Office of the Chief Auditor. Such circumstances may include, but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the Chief Auditor, Board or Audit Committee, and/or executive management.
- Significant changes to the Authority's strategies, objectives, risk profile, or the environment in which the Authority operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Chief Auditor Roles and Responsibilities

Ethics and Professionalism

The Chief Auditor will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Authority and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture at the Authority.
- Report Authority behavior that is inconsistent with the Authority's ethical expectations, as described in applicable codes, policies, and procedures.

Objectivity

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

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgement on audit matters to others, in fact or appearance.

The Office of the Chief Auditor will have no direct operational responsibility or authority over any of the activities they review. Accordingly, the Office of the Chief Auditor will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties.
- Initiating or approving transaction(s) external to the Office of the Chief Auditor.
- Directing the activities of any Authority employee not employed by the Office of the Chief Auditor, except to the extent that such employees have been appropriately assigned to auditing teams or to assist internal auditors.

Internal Auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties at least annually, such as the Chief Auditor, Board or Audit Committee, management or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

The Chief Auditor has the responsibility to:

- At least annually, develop a risk-based internal Audit Plan that considers the input of the Audit Committee/Board and executive management. Discuss the Audit Plan with the Audit Committee and executive management and submit the Audit Plan to the Audit Committee for review and forward to the Board for approval.
- Communicate the impact of resource limitations on the Audit Plan to the Audit Committee/Board and executive management, if applicable.
- Review and adjust the internal Audit Plan, as necessary, in response to changes in the Authority's business risks, operations, programs, systems, and controls.
- Changes to the Audit Plan will occur after consultation with the Chair of the Audit Committee. Changes to the Audit Plan will be presented to the Audit Committee for review and forwarded to the Board for approval.
- Communicate with the Audit Committee/Board and Authority executive management if there are significant interim changes to the Audit Plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with Global Internal Audit Standards.
- Follow up on audit engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee/Board and executive management quarterly and for each engagement as appropriate.
- Ensure that the Office of the Chief Auditor collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the requirements for the Office of the Chief Auditor mandate.
- Identify and consider trends and emerging issues that could impact the Authority and communicate to the Audit Committee/Board and Authority executive management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to the Office of the Chief Auditor's Policies and Procedures / Office Manual designed to guide the Office of the Chief Auditor.

- Ensure adherence to the Authority's relevant policies and procedures unless such policies conflict with the Charter for the Office of the Chief Auditor or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee or Board and executive management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Chief Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to executive management and if necessary escalated to the Audit Committee or Board.

Scope and Types of Internal Audit Activities

The scope of internal audit services covers Authority activities, including all the Authority's operations, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board, Audit Committee, and management on the adequacy and effectiveness of governance, risk management, and control processes for the Authority.

The nature and scope of advisory services may be agreed with executive management, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Authority's strategic objectives are appropriately identified and managed.
- The actions of the Authority's officers, directors, employees, and contractors or other relevant parties comply with the Authority's policies, procedures, codes, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Authority.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

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[Amended by Resolution No. 2024-0083 dated October 3, 2024]

[Amended by Resolution No. 2023-0086 dated October 5, 2023]

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[Amended by Resolution No. 2018-0117 dated October 4, 2018]

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[Adopted by Resolution No. 2003-062 dated October 2, 2003]