

INTERNAL AUDIT CHARTER

FOR THE UTAH TRANSIT AUTHORITY

The Board of Trustees (“Board”) has established the Internal Audit Department (“Internal Audit”) as a key component of the Utah Transit Authority’s (“UTA”) governance framework.

This Internal Audit Charter serves as a framework for Internal Audit in the performance of its duties and is intended to provide a basis for the Board to evaluate the Internal Audit function.

The components of this Internal Audit Charter include:

- Mission Statement
- Scope of Work
- Responsibilities
- Audit Plan
- Reporting
- Independence and Authority
- Standards of Audit Practice

MISSION STATEMENT

The mission of Internal Audit is to improve UTA's operations and systems of internal controls and add value through independent, objective assurance, and consultative support. Internal Audit helps UTA accomplish its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance activities and processes.

SCOPE OF WORK

The scope of Audit coverage is agency-wide including all departments and business units of UTA.

To fulfill its mission, Internal Audit assesses whether UTA's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in areas such as:

- Risk identification and management
- Operational control
- Accurate, reliable, and timely financial, managerial and operating information
- Compliance with policies, standards and procedures
- Adherence to applicable laws and regulations
- Management’s achievement of goals and objectives
- Economic acquisition, efficient use, and adequate protection of resources
- Support of management in their interaction with the various internal organizations and external regulatory authorities as needed.

RESPONSIBILITIES

The Director of Internal Audit and the Internal Audit staff have responsibility to:

- Develop an annual Audit Plan using appropriate risk-based methodology (including risks or control concerns identified by management, the Audit Committee and external Audits) and submit that plan to the Audit Committee for review and approval

- Perform independent and objective audit engagements of the key processes and related internal controls supporting operations and financial reporting as part of the audit process
- Communicate audit engagement results and recommendations to management and the Audit Committee as part of the audit process
- Follow-up with management to assess whether action plans are completed by management within the mutually agreed timeframe to address the risks and deficiencies identified
- Perform safety related audits required by the Federal Transit Administration.
- Support UTA management in their interaction with the external financial auditors
- Assist UTA management to facilitate other external compliance audits generally managed through other departments within UTA
- Assist UTA in identifying the characteristics of adequate systems of control
- Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certification to meet the requirements of this Charter
- Establish and maintain a Quality Assurance and Improvement Program (“QAIP”) in accordance with the International Standards for the Professional Practice of Internal Auditing
- Ensure that a peer review is conducted every five years, and that results are communicated to the Audit Committee
- Keep the Audit Committee informed of emerging trends and best practices in internal auditing
- Assist the Audit Committee in any other way in connection with the discharge of its duties and responsibilities
- Prepare and present reports to the Audit Committee summarizing the status of Internal Audit’s work at least quarterly but could be more frequently as directed by the Audit Committee
- Design and roll-out programs and practices around ethics, with support from UTA’s Legal Counsel
- Assist in the investigations of suspected misconduct or fraudulent activities within the organization and notify management and, in the event of significant ethical violations, the Audit

AUDIT PLAN

The annual Audit Plan is developed each year based upon input from UTA leadership and the Audit Committee and is submitted to the Audit Committee for review and approval.

The annual Audit Plan is comprised of topics or processes to be the subject of audit engagements, and may include a combination of the following:

- Assessments of compliance with UTA's policies and procedures
- Reviews of internal controls related to significant processes and IT systems to determine whether or not they are properly designed and functioning as intended
- Reviews of financial and operating information
- Assessing whether corporate assets are properly safeguarded
- Reviews of computer-based systems focusing on data security, disaster recovery, and effective use of resources
- Reviews of internal controls designed to ensure compliance with external laws and regulations, including accounting rules and applicable regulations
- Operational audits focusing on improving efficiencies or effectiveness with a goal of contributing to cost reduction efforts
- Strategic audits, such as reviews of due diligence activities and the execution of UTA's strategic objectives

To develop the annual Audit Plan, an overall risk-based approach is used to ensure that the Internal Audit function provides the greatest possible benefit to UTA. On an ongoing basis, matters considered in developing the annual Audit Plan include the following:

- Strategic and operational plans of UTA
- Risk for potential loss to UTA
- Opportunities to achieve operating benefits
- Existence of known errors, irregularities or control weaknesses
- Results of previous audits
- Changes in operations, systems or controls
- Changes in regulatory or other requirements
- Requests from management, Audit Committee and external auditor

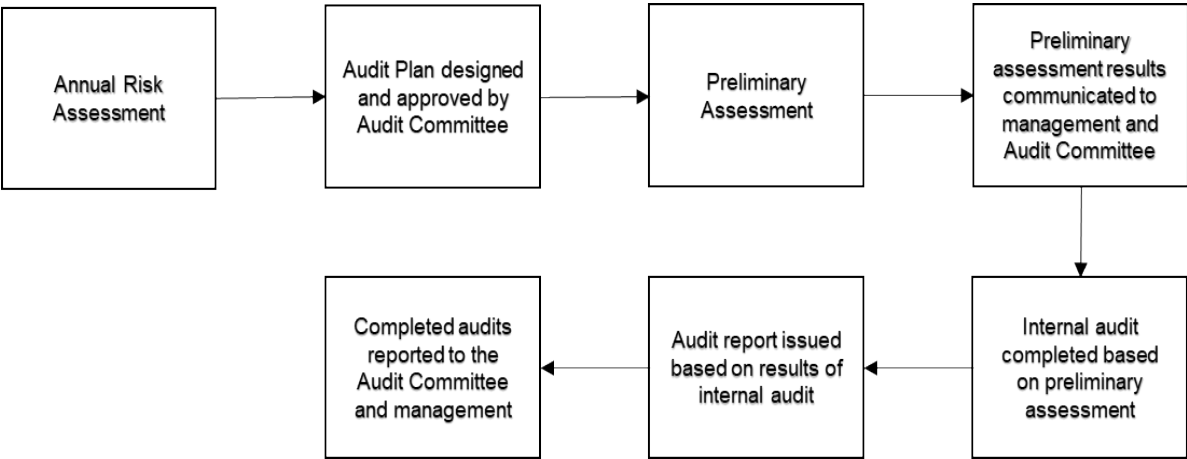
Each year, Internal Audit will work with UTA's leadership to perform risk assessment activities designed to identify and prioritize UTA's key risks. This information will be used to identify priorities to be addressed by the annual Audit Plan.

Based on the risk assessment performed, the Director of Internal Audit will present a proposed annual Audit Plan to the Audit Committee for approval. The Audit Plan is a list of topics or processes that will be the subject of audit engagements. Any significant deviation from the approved Audit Plan, such as adding a large audit engagement or removing an audit engagement, will be submitted to the Audit Committee for review and approval. Small changes, such as changing the type of engagement performed or small requested audit engagements can be carried out without Audit Committee approval and will be reported in the Director of Internal Audit's quarterly report to the Audit Committee.

The Internal Audit Plan will be developed in a manner that allows for the coverage of UTA's highest risk areas in a three-year period. The Director of Internal Audit, in consultation with the Audit Committee, will determine when certain critical risks and controls require more frequent coverage.

BACKGROUND INFORMATION ON AUDIT PROCESS

The following process flow depicts the typical Audit process at a high-level:



A preliminary assessment is the typical type of engagement for Internal Audit to conduct. The primary

purpose of a preliminary assessment is to evaluate the control environment of the process or topic. A preliminary assessment may progress to an audit phase to test the operation of the control environment. Further follow-up of outstanding issues may be conducted as a separate phase, as necessary.

Internal Audit may perform other types of audit engagements, such as performance audits, which evaluate a department's success against an objective criteria or measurement, or a compliance audit, which measures adherence to specific regulations, laws, or policies. Internal Audit will select the audit type during the planning of the engagement.

REPORTING

A report will be issued by the Director of Internal Audit to the Audit Committee following the completion of any engagement phase (preliminary assessment, audit, follow-up). The report will document observations, recommendations, and management action plans, as necessary. The report will be provided to the Audit Committee members and discussed at a future Audit Committee meeting. Reports may be restricted from public release if classified as protected under the provisions of the Governmental Records Access and Management Act (Utah Code, §63G-2-101, *et seq.*).

- Other engagement types will have a report issued by the Director of Internal Audit outlining any findings, recommendations, and management action plans. The report will be provided to the Audit Committee members and discussed in a future Audit Committee meeting.
- The Director of Internal Audit may report urgent issues to the Board of Trustees as necessary.

INDEPENDENCE AND AUTHORITY

To provide for Internal Audit's independence, the Director of Internal Audit reports directly to the Board of Trustees. All Internal Audit personnel will report to the Director of Internal Audit. The Director of Internal Audit will meet at least once every quarter but more frequently, if necessary, with the Audit Committee. The Audit Committee may choose to meet with the Director of Internal Audit in private and apart from UTA management, if the meeting satisfies the criteria for a closed session under Utah's Open and Public Meetings Act (Utah Code §52-4-101, *et seq.*).

To maintain its independence, Internal Audit will have no direct operational responsibility or authority over any of the activities under scope of its review. Accordingly, Internal Audit will not be responsible to develop or install systems or procedures, prepare records, or engage in any other activity that would normally be audited but may perform a consulting role without any decision-making authority.

Internal Audit is authorized to have unrestricted access to all company activities, records, property and personnel. Restriction to these accesses imposed by any employee or management of UTA, which prevents Internal Audit from performing its duties, will be reported immediately to the Executive Director, Board Chair, or directly to the Audit Committee, based on circumstances as determined by the Director of Internal Audit.

STANDARDS OF AUDIT PRACTICE

Internal Audit will adhere to 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, the Definition of Internal Auditing, and the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors in the execution of its duties. During 2024, Internal Audit will begin adopting the 2024 Global Internal Audit Standards published by The Institute of Internal Auditors on January 9, 2024, with full compliance by 2025.

Revision/Review History:

Date	Action
3/28/2018	Board of Trustees adopted Internal Audit Charter by R2018-03-03
6/10/2019	Audit Committee presented with revised Internal Audit Charter for review on 4/29/19; Audit Committee approved the Charter on 6/10/2019.
2/10/2020	Revised Internal Audit Charter reviewed and approved by Committee on 2/10/20 with minor verbiage updates.
2/1/2021	Internal Audit Charter presented and approved by the Audit Committee with no changes.
1/31/2022	Committee adopted revised Internal Audit Charter. Revisions included title changes for staff functions and updates to audit processes including establishment of a QAIP, documentation of a peer review process, and expanded standards of audit practice.
3/6/2023	Audit Committee Charter duties and responsibilities amended to include the Committee's review and approval of the Internal Audit Charter annually. Committee approval of revised Internal Audit Charter that adds responsibility for EEO investigations, safety audits, and removes duties to facilitate UTA's annual risk assessment which will be done by management.
9/23/2024	Language was added to reflect new standards adopted by the Institute of Internal Auditors (IIA) that comply with State of Utah law, and to clarify audit types. Removed language about investigating discrimination and retaliation claims which will be done by the Office of the Attorney General.