



GUAM WATERWORKS AUTHORITY

AGENCY POLICY No: <u>IA-01</u>	<u>Section</u> Internal Audit	<u>Pages</u> 4
INTERNAL AUDIT CHARTER	Supersedes: N/A	
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1. INTRODUCTION

This policy establishes the Guam Waterworks Authority Internal Audit Charter, which defines the purpose, authority, and responsibility of the GWA Internal Audit division headed by the Internal Auditor.

2. INDEPENDENCE

To provide for the independence of the GWA Internal Audit division, its personnel report to the Internal Auditor, who reports administratively to the GWA General Manager and functionally to the Consolidated Commission on Utilities Audit Committee in a manner outlined in the section below on Accountability. It will include as part of its reports to the audit committee a regular report on internal audit personnel.

3. MISSION AND SCOPE OF WORK

The mission of the GWA Internal Audit division is to provide independent, objective assurance and consulting services designed to add value and improve GWA's operations. The division helps GWA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the GWA Internal Audit division is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in GWA's control process.
- Significant legislative or regulatory issues impacting GWA are recognized and addressed properly.

Opportunities for improving management control, profitability, and the GWA's image may be identified during audits. They will be communicated to the appropriate level of management.

4. ACCOUNTABILITY

The Internal Auditor, in the discharge of his/her duties, shall be accountable to management and the audit committee to:

- Provide annually an assessment on the adequacy and effectiveness of GWA's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of GWA and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of the Internal Audit division resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

5. AUTHORITY

The Internal Auditor and staff of the GWA Internal Audit division are authorized to:

- Have unrestricted access to all GWA functions, records, property, and personnel.

- Have full and free access to the CCU Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of GWA personnel that perform audits, as well as other specialized services from within or outside of GWA.

The Internal Auditor and staff of the GWA Internal Audit division are **not** authorized to:

- Perform any operational duties for GWA or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit division.
- Direct the activities of any GWA employee not employed by the internal auditing department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

6. RESPONSIBILITY

The Internal Auditor and staff of the GWA Internal Audit division have responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval.
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee.
- Maintain a professional internal audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Establish a quality assurance program by which the Internal Auditor assures the operation of the Internal Audit division.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the Audit Committee and management summarizing results of internal audit activities.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the audit committee.

- Assist in the investigation of significant suspected fraudulent activities within GWA and notify management and the Audit Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to GWA at a reasonable overall cost.

7. STANDARDS OF AUDIT PRACTICE

The Internal Audit division will strive to meet or exceed the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

APPROVED BY: GWA Audit Committee, April 15, 2009



Commissioner Joseph T. Duenas, Chairman



Commissioner Eloy Hara



John Benevente, General Manager of Consolidated Utility Services



Dr. Leonard Olive, GWA General Manager



Greg Cruz, GWA Chief Financial Officer