

 PA TURNPIKE COMMISSION POLICY <i>This is a statement of official Pennsylvania Turnpike Policy</i>		NUMBER: 7.05 APPROVAL DATE: 10-18-2011 EFFECTIVE DATE: 11-02-2011 REVISED DATE: 06-02-2020
POLICY SUBJECT: Internal Audit Services	RESPONSIBLE DEPARTMENT: Compliance	

A. PURPOSE:

To establish a uniform policy and define responsibilities for the performance of internal audit services within the Pennsylvania Turnpike Commission.

B. SCOPE:

This policy applies to the Internal Audit Department and all employees of the Pennsylvania Turnpike Commission.

C. GENERAL POLICY:

All Internal Audit Services will be performed by the Commission's Internal Audit Department and in accordance with the Internal Audit Charter (Attachment I). Audits of Commission departments, programs, activities and functions are to be performed by qualified auditors in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

D. DEFINITIONS:

1. Internal Audit Services – A range of independent, objective, assurance, and consulting services designed to add value and improve the Commission's operations. This includes evaluation and/or examination activities conducted to determine compliance with approved policies, business processes and procedures that are in place to effectively and efficiently control the organization's activities, enable successful achievement of established goals and objectives, and safeguard the Commission's assets. These activities include audits (financial, compliance, information systems and operational) and consulting services as well as advising management on correcting process/procedural weaknesses, improving controls, identifying significant exposures, and assessing risk with regard to the Commission's operations. Should any audit reveal the existence of potential fraud, abuse, or misuse of Pennsylvania Turnpike Commission assets or funds, such information shall be immediately reported to the Chief Compliance Officer, who will be responsible for conducting an investigation of the alleged wrongdoing. The Internal Audit Department will participate in any subsequent investigation on an as-requested basis.

2. Evaluation: A review and assessment of information regarding the Commission's operations and controls in order to determine the value or significance of the information.
3. Consulting: Advisory services intended to add value and improve the Commission's governance, risk, management, and control processes without the internal auditor assuming management responsibility.
4. Internal Audit Charter – Document that describes the purpose, authority, and principal responsibilities of the Pennsylvania Turnpike Commission's Internal Audit Department. (Attachment I).

E. PROCEDURES:

1. Requests for Internal Audit Services – Requests for internal audit services can be made at any time in written form to the Manager of Internal Audit. Requests for audit services should include a description of the problem or area of concern, type of audit service requested, proper justification of why the audit service is necessary, the risk of not performing the audit service, and the requested audit services completion date. Requests will be evaluated, prioritized and approved based on severity of the control exposures, levels of risk, degree of non-compliance, and overall benefit to the organization. The Manager of Internal Audit has the authority to recommend that an audit service commence immediately, or if it is determined that addressing an audit service request can be deferred without significant business risk, the Manager of Internal Audit has the authority to defer the request.
2. Performance of Audit Services – All audit services will be performed in accordance with the International Standards for the Professional Practice of Internal Auditing which encompass:
 - a. The independence of the internal audit function from the activities audited and the objectivity of internal auditors.
 - b. The proficiency of internal auditors and the professional care they should exercise.
 - c. The scope of internal auditing activities.
 - d. The performance of internal auditing assignments.
3. Independence and Objectivity – The internal audit services will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgement.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

4. Confidentiality - Internal auditors are expected to respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or

professional obligation to do so. Additionally, internal auditors shall be prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization

5. Availability of Records – All records of the Commission relevant to the audit service must be made available to the auditor. These records include, but are not limited to, contracts, invoices, correspondence, contract deliverables, payroll, project records, electronic systems and data.
6. Code of Ethics - The Internal Audit Department will follow the Institute of Internal Auditors' Code of Ethics, as well as the Pennsylvania Turnpike Commission's Code of Conduct.
7. Communications – Prior to the start of each audit service, a written scope of services will be prepared. The Manager of Internal Audit and management requesting the service will agree upon the written scope of service. The results of all audit services will be communicated to the appropriate level of management both during and at the end of the audit. If the Internal Audit Department becomes aware of an issue outside the course of a planned audit service that is an audit concern; the issue will be brought to the attention of The Chief Compliance Officer.
8. Notification of Change - Departments must notify the Manager of Internal Audit regarding any new process implementations, material changes to existing processes or any other issues that may require an audit. This will allow for the assessment of emerging risks and ensure management is responding in a manner that is consistent with the Commission's defined risk and tolerance levels.
9. Reporting – The results of the audit will be documented in a written report or memorandum and submitted to the Chief Compliance Officer.
10. Audit Resolution – An opportunity will be given to the auditee to resolve any outstanding issues before they become a finding and issued as part of the final audit report.
11. Audit Recommendations – The auditee must respond in writing to any recommendations detailed in the final audit report within a prescribed amount of time. The auditee must report that they accept the recommendation and how they will address the issue identified. If the auditee does not accept the recommendation, they must provide a detailed explanation.
12. Audit Follow-Up – The Manager of Internal Audit will follow up on the status of implementation of corrective action at least semi-annually from the report issue-date, until all recommendations are implemented.

This Policy Letter supersedes all previous Policy Letters on this subject.

PENNSYLVANIA TURNPIKE COMMISSION

INTERNAL AUDIT CHARTER

This Charter describes the purpose, authority, and principal responsibilities of the Pennsylvania Turnpike Commission's Internal Audit Department.

PURPOSE

Internal auditing is an independent appraisal activity established by the Board of Commissioners which functions by measuring and evaluating the effectiveness of financial and managerial controls. A primary objective of internal auditing is to assist Commission management in the governance, risk and control management for the effective discharge of their responsibilities. To this end, internal auditing acts as a trusted advisor to furnish management with analyses, appraisals, recommendations, counsel, and information concerning various activities audited or reviewed without participating directly in the management process in order to preserve independence and objectivity.

AUTHORITY

The Internal Audit Department is authorized by the Board of Commissioners to conduct a comprehensive program of internal auditing. To accomplish its objectives, internal auditors, with stringent regard for safekeeping and confidentiality, shall have access to all Commission activities, records, property, and employees as may be necessary to carry out their assigned responsibilities in accordance with the annual work plan. Internal auditing is a staff function and internal auditors have no authority over, or responsibility for, the activities they audit.

REPORTING

The Internal Audit Department reports to the Chief Compliance Officer for all auditing activities.

RESPONSIBILITIES

Internal auditing responsibilities include, but are not limited to:

- Examining and evaluating the adequacy and effectiveness of the organization's systems of internal control, including those pertaining to the deterrence, detection, and identification of fraudulent or illegal acts, which shall immediately be reported to the Chief Compliance Officer of the Commission or to the Chief Executive Officer, if applicable, for investigation.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports and determining whether the organization is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Evaluating new initiatives, process implementations, material changes to existing processes and any other events that may require an audit in order to assess emerging risks and ensure management is responding in a manner that is consistent with the Commission's defined risk and tolerance levels.
- Coordinating internal auditing activities with the work of the independent external auditors and assisting the external auditors as required.

In meeting its responsibilities, internal auditors shall comply with the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing promulgated by The Institute of Internal Auditors, Inc., the Pennsylvania Turnpike Commission's Code of Conduct, as well as other professional auditing standards, which may be applicable to the performance of their work assignments.

This Policy Letter supersedes all previous Policy Letters on this subject.