



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Committee Item INFORMATION

Audit Committee

12/8/2025 Committee Meeting

7d

Subject

Annual Audit Department Charter Review

Executive Summary

This item will review the Audit Department Charter with the Audit Committee as required annually by the Administrative Code and the Institute of Internal Auditors Global Internal Audit Standards.

Applicable Policy

Metropolitan Water District Administrative Code Section 6451: Audit Department Charter

Future Actions

In 2026, we will bring back the Charter for review and approval of updates made to align with the new Institute of Internal Auditors Global Internal Audit Standards.

Details & Background

An audit department charter is a formal document that defines the purpose, authority, responsibilities, and scope of the organization's internal audit function and is approved by the organization's governing board. A charter provides a blueprint for how the internal audit department will operate, documenting the work that internal audit will undertake and the support it will receive from senior management and the governing body to achieve its objectives. This includes the organizational position of the department and communication protocols.

The charter should be a living document that is updated, when necessary, to reflect significant changes in an organization, regulatory and standard updates, and to maintain alignment with the organization's evolving needs and risk environment.

Metropolitan's Audit Department Charter has been in place since at least 2007 and has been periodically updated.

Institute of Internal Auditors Global Internal Audit Standard 6.2 Internal Audit Charter

Requirements

The chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:

- Purpose of Internal Auditing.
- Commitment to adhering to the Global Internal Audit Standards.
- Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function.
- Organizational position and reporting relationships.

The chief audit executive must discuss the proposed charter with the board and senior management to confirm that it accurately reflects their understanding and expectations of the internal audit function.

Essential Conditions

Board

- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter to enable an effective internal audit function.
- Approve the internal audit charter.
- Review the internal audit charter with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization.

Senior Management

Communicate with the board and chief audit executive about management's expectations that should be considered for inclusion in the internal audit charter.