



THE PORT
OF LOS ANGELES
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 30, 2025

FROM: INTERNAL AUDIT

SUBJECT: RESOLUTION NO. _____ - APPROVE CITY OF LOS ANGELES HARBOR DEPARTMENT'S INTERNAL AUDIT CHARTER

SUMMARY:

Staff requests Board of Harbor Commissioners (Board) adoption of the City of Los Angeles (City) Harbor Department's (Harbor Department) Internal Audit Charter (Audit Charter). The Audit Charter was prepared by the Harbor Department's Internal Audit Division (IAD), with input from the Audit Committee Chair, Chief of Staff to the Executive Director, and Senior Management. The Audit Charter was prepared in conformance with the Global Internal Audit Standards (Global Standards) promulgated by the Institute of Internal Auditors. Per Global Standards, the Audit Charter is required to be approved by the Board of Harbor Commissioners annually. There is no direct financial impact associated with the approval of the proposed Audit Charter.

RECOMMENDATION:

It is recommended that the Board:

1. Find that the Director of Environmental Management has determined that the proposed action is administratively and generally exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II, Section 2(f) of the Los Angeles City CEQA Guidelines, and Section 15061(b)(3) of the State CEQA Guidelines;
2. Approve the City of Los Angeles Harbor Department's Internal Audit Charter; and
3. Adopt Resolution No. _____.

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SUBJECT: INTERNAL AUDIT CHARTER

DISCUSSION:

The proposed Audit Charter establishes the purpose, authority, and responsibilities of the Internal Audit Division. The Audit Charter affirms the IAD's mission to enhance and protect organizational value through independent, risk-based assurance and advisory services. It outlines the IAD's scope, which includes performance, compliance, and financial audits, as well as consulting services that support governance, risk management, and internal controls. It ensures the IAD's independence by placing audit direction under the Audit Committee, while maintaining administrative reporting to executive management. The Charter grants the IAD unrestricted access to records, personnel, and operations, and mandates adherence to the Global Internal Audit Standards. It also emphasizes transparency, confidentiality, and professional integrity, and requires review and Board approval on a yearly basis.

Background – In 2025, the Institute of Internal Auditors issued the Global Internal Audit Standards. These Standards require the Harbor Department's IAD to have two documents approved by the governing board on an annual basis, the Audit Charter and the Annual Audit Plan. Conforming with audit standards provides for the IAD's quality, independence and professional due diligence in performing internal audit projects.

The Director of IAD is considered the Chief Audit Executive under the Standards, and reports to the Chief of Staff to the Executive Director. The Director of IAD, in consultation with the Audit Committee of the Board of Harbor Commissioners (Audit Committee) and executive management, determined that these Standards were preferable to following the Generally Accepted Government Auditing Standards, the alternative audit standards promulgated by the Government Accountability Office. The Global Internal Audit Standards allow for IAD to perform non-audit services or consulting projects, if independence is not impaired in performing that work.

On September 11, 2025, the IAD presented the Audit Charter to the Audit Committee; which had no changes to the draft, and voted to recommend its adoption by the Board.

Staff is requesting approval of the Harbor Department's Audit Charter (Transmittal 1). The Harbor Department seeks to perform audit and consulting work through its IAD, consistent with the Standards, and within the constraints of the approved budget for FY 2026.

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SUBJECT: INTERNAL AUDIT CHARTER

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the Harbor Department's Audit Charter, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Adoption of the Internal Audit Charter will provide a framework for the Internal Audit Division's role and responsibilities. It does not have a direct fiscal impact on the Harbor Department.

CITY ATTORNEY:

The Office of the City Attorney has reviewed the Internal Audit Charter and finds no legal issues at this time.

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TRANSMITTALS:

1. Internal Audit Charter
2. Section 6.2 of the Global Internal Audit Standards promulgated by the Institute of Internal Auditors

FIS Approval: JS

CA Approval: JC



SHER SHAH
Acting Director of Internal Audit



STEPHANIE MAGNIEN ROCKWELL
Chief of Staff to the Executive Director

APPROVED:

Erica M. Calhoun for

EUGENE D. SEROKA
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