



INTERNAL AUDIT OVERSIGHT

PRESENTED to the AUDIT COMMITTEE of the BOWC
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AUDIT COMMITTEE CHARTER



- ✓ Establishes the purpose, authority, roles, responsibilities, & expectations for the Audit Committee.
- ✓ Is reviewed at least annually by the Audit Committee & approved by the BOWC.
- ✓ Delegates the Audit Committee the responsibility for supporting and providing sufficient independent oversight of the DWSD Internal Audit function and advising the BOWC on Internal Audit Activities, as necessary.

AUDIT COMMITTEE EXPECTATIONS



- ✓ Establish a regular, quarterly meeting schedule, with the ability to call additional special meetings, as necessary.
- ✓ Receive reporting & updates regarding DWSD's Internal Auditing activities.
- ✓ Collectively, obtain the necessary knowledge & skills.
- ✓ Establish an annual work plan to schedule & perform Audit Committee responsibilities.

OVERSIGHT OF INTERNAL AUDIT



THE AUDIT COMMITTEE PLAYS A KEY ROLE IN PROVIDING INDEPENDENT OVERSIGHT OF DWSD INTERNAL AUDIT.

- ✓ Review and advise on the Internal Audit Mandate, Charter, strategies, priorities, objectives, policies, plans, & methodologies.
- ✓ Enable effective internal audit by fulfilling Essential Conditions.
- ✓ Establish a direct functional reporting relationship with Internal Audit to provide input on expectations and receive periodic updates on audit activities.
- ✓ As necessary, recommend approval of Internal Audit matters to the BOWC.

ROLES SUPPORTING THE INTERNAL AUDIT FUNCTION



“**Board**” refers to the *highest-level governing body* charged with oversight of DWSD’s Internal Audit function, specifically the combination of the functional reporting relationship established by the Audit Committee (“AC”) and the final-decision making authority of the BOWC.

The “**Chief Audit Executive**” (“CAE”) is the *highest-level Internal Auditor* of DWSD. They are charged with ensuring the mandate is fulfilled, conformance with professional standards is maintained, and the Internal Audit Strategy and Plan are achieved annually.

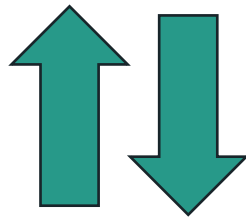
“**Executive Team**” (“Exec”) is applied as a *generalized term for DWSD senior management*, such as the chief officers and managers of each division charged with organizational accountability, oversight, and setting strategic goals & initiatives for their business activities.

INDEPENDENTLY POSITIONED IN A THREE-WAY PARTNERSHIP



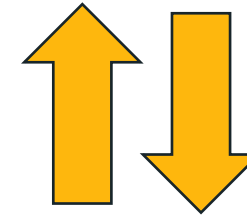
AUDIT COMMITTEE

- Supports and provides independent oversight of DWSD Internal Audit.
- Establishes a direct reporting relationship with the Chief Audit Executive to ensure the independent positioning & direct accountability for Internal Audit.



Accountability
Reporting

Delegation
Direction
Resources
Oversight



Accountability
Reporting

Delegation
Direction
Resources
Oversight

EXECUTIVE TEAM

- Supports Internal Audit's evaluation of DWSD's governance, risk management, and internal controls practices.
- Implements Internal Audit's recommendations to improve these practices.



Alignment
Communication
Coordination
Collaboration

INTERNAL AUDIT

- Reports to the Audit Committee, remaining independently positioned from DWSD management.
- Provides independent & objective assurance and strategic advice for the improvement of DWSD's governance, risk management, and internal controls practices.

ESSENTIAL CONDITIONS FOR SUPPORTING INTERNAL AUDIT



The *Essential Conditions* are the critical activities performed by the Audit Committee and DWSD management with support from the Chief Audit Executive.

- Derived from *Domain III: Governing the Internal Audit Function* of the **Global Internal Audit Standards** (the professional standards)
- Critical for maintaining Internal Audit's conformance with the Standards.
- Most effective when performed in a three-way partnership
- Best fulfilled when the value and importance of Internal Audit is understood and embraced.
- Fulfilled by DWSD management, with input primarily provided by the Executive Director, Deputy Director, Chief General Counsel, Chief Compliance Officer, and the Chief Financial Officer; and the Audit Committee.

PROFESSIONAL STANDARDS



The **Essential Conditions** are guided by *Domian III: Governing the Internal Audit Function* of the **Global Internal Audit Standards**.

PRINCIPLE 6

AUTHORIZED BY THE BOARD

The board establishes, approves, and supports the mandate of the internal audit function.

STANDARD 6.1
Internal Audit Mandate

STANDARD 6.2
Internal Audit Charter

STANDARD 6.3
Board and Senior Management Support

PRINCIPLE 7

POSITIONED INDEPENDENTLY

The board establishes and protects the internal audit function's independence and qualifications.

STANDARD 7.1
Organizational Independence

STANDARD 7.2
Chief Audit Executive Qualifications

PRINCIPLE 8

OVERSEEN BY THE BOARD

The board oversees the internal audit function to ensure the function's effectiveness.

STANDARD 8.1
Board Interaction

STANDARD 8.2
Resources

STANDARD 8.3
Quality

STANDARD 8.4
External Quality Assessment

PRINCIPLE 6

AUTHORIZED BY THE BOARD



THE BOARD ESTABLISHES, APPROVES, AND SUPPORTS THE MANDATE OF THE INTERNAL AUDIT FUNCTION.

- Internal Audit receives its mandate from the BOWC, through the Audit Committee, and any applicable laws/regulations.
- The mandate specifies the authority, role, responsibilities, scope, and type of services for Internal Audit and is documented in the Internal Audit Charter.
- The mandate empowers Internal Audit to provide the Audit Committee and management with objective assurance, advice, insight, and foresight.
- Internal Audit carries out its mandate by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes.

PRINCIPLE 6

AUTHORIZED BY THE BOARD



EXECUTIVE TEAM

- Provide input on expectations when establishing Internal Audit's mandate & Charter contents.
- Support the Internal Audit Mandate and promote Internal Audit's authority.
- Support recognition of Internal Audit throughout DWSD.
- Enable Internal Audit's unrestricted access to relevant information to help IA fulfill their mandate.

INTERNAL AUDIT

- Provide necessary information to the AC & Exec to establish the Internal Audit Mandate and develop the Internal Audit Charter.
- Coordinate with other assurance providers to understand roles & responsibilities.
- Assess *significant changes* that may justify potential changes to the IA Mandate & Charter.
- Provide information to support and promote recognition of Internal Audit throughout the organization.

AUDIT COMMITTEE

- ✓ Discuss appropriate authority, role, & responsibilities of internal audit and additional topics for inclusion within the Internal Audit Charter.
- ✓ Advise on the Internal Audit Charter, Audit Plans, budgets, and resources and recommend for approval by the BOWC, periodically reviewing, as necessary, for changes.
- ✓ Support IA in fulfilling its Purpose, mandate, strategy, & objectives by enabling unrestricted access to relevant information, establishing a direct reporting relationship with IA, and determining & resolving any restrictions that may limit Internal Audit's ability to perform its responsibilities.
- ✓ Meet periodically with the Chief Audit Executive.

PRINCIPLE 7

POSITIONED INDEPENDENTLY



THE BOARD ESTABLISHES AND PROTECTS THE INTERNAL AUDIT FUNCTION'S INDEPENDENCE AND QUALIFICATIONS.

- Enabling independence of internal audit, which is freedom from conditions that impair the ability of internal auditors from carrying out their responsibilities in an unbiased manner.
- To fulfill the Purpose of Internal Auditing, the Chief Audit Executive must have a direct reporting relationship to the Audit Committee, which allows internal auditors to be positioned independently from management, without interference, and be directly accountable to the organization's governing body for their performance.

PRINCIPLE 7

POSITIONED INDEPENDENTLY



EXECUTIVE TEAM

- Provide input to the AC on the appointment, removal, remuneration, evaluation, and reporting relationship of the Chief Audit Executive.
- Collaborate with the AC to determine the CAE's role requirements, qualifications, and expectations.
- Understand potential impairments of internal auditors caused by non-audit roles.

INTERNAL AUDIT

- Confirm organizational positioning, reporting relationships, and independence.
- Communicate the necessary qualifications and competencies required to effectively manage the Internal Audit function.
- Maintain the ability to fulfill AC & Exec expectations for the CAE & Internal Audit.
- Discuss current or proposed roles that may impair internal auditor's independence and advise on safeguards to manage such impairments.

AUDIT COMMITTEE

- ✓ Establish a direct reporting relationship with the Chief Audit Executive & require their organizational positioning enables their authority & status to escalate matters to the appropriate parties.
- ✓ Advise on the appointment, removal, remuneration, annual performance evaluation, and reporting relationship of the CAE.
- ✓ Acknowledge potential impairments when recommending for approval any CAE roles & responsibilities beyond internal auditing, and establish safeguards when responsibilities impair independence.
- ✓ Meet periodically with the Chief Audit Executive.

PRINCIPLE 8

OVERSEEN BY THE BOARD



THE BOARD OVERSEES THE INTERNAL AUDIT FUNCTION TO ENSURE THE FUNCTION'S EFFECTIVENESS.

- Requires collaborative, interactive communication between the Chief Audit Executive, Audit Committee, and Executive Team to ensure Internal Audit is sufficiently resourced to fulfill its mandate, charter, and plans, and to achieve its strategic objectives and expectations.
- Receive assurances regarding the quality of performance of the Chief Audit Executive and Internal Audit program through the Internal Audit Quality Assurance and Improvement Program (“QAIP”), which includes annual self-assessments and, at least every 5 years, an independently performed external quality assessment.

PRINCIPLE 8

OVERSEEN BY THE BOARD



EXECUTIVE TEAM

- Provide input on the strategies, objectives, and risks contributing to Internal Audit priorities, and the IA performance objectives.
- Assist in auditors' understanding the effectiveness of governance, risk management, and control processes, and provide sufficient resources for fulfilling the mandate and plan.
- Provide input to the AC regarding insufficient resources, IA's QAIP plans, and performance evaluations.

INTERNAL AUDIT

- Provide the necessary information for conducting governance responsibilities of Internal Audit and any significant changes that may affect these.
- Establish and recommend plans and resources for an effective QAIP.
- Report to the AC regarding the Audit Plan, budget, resources, QAIP results including conformance and performance, potential impairments to independence, results of assurance services & disagreements with management.

AUDIT COMMITTEE

- ✓ Receive reporting on how Internal Audit is fulfilling its mandate, plans, and objectives, including the sufficiency of resources and results of annual QAIP assessments.
- ✓ Provide input on the strategies, objectives, and risks to assist the CAE in determining audit priorities.
- ✓ Set expectations on the frequency of communications and the criteria & process for escalating matters.
- ✓ Understand the effectiveness of DWSD's governance, risk management, and internal controls practices.
- ✓ Discuss disagreements and provide support to enable the CAE to perform assigned responsibilities.
- ✓ Provide input on expectations for IA's QAIP, including the scope & frequency of such assessments.