

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

This Charter was adopted by the Audit Committee (the “Committee”) with the approval on September 20, 2012 of the Board of Commissioners (the “Board”) of The Port Authority of New York and New Jersey (the “Port Authority”) to provide certain guidelines that the Committee shall follow in connection with the satisfaction of its responsibilities under the By-Laws of the Port Authority (“By-Laws”).

I. Function

The Committee shall be governed by the By-Laws and assist the Board in fulfilling its oversight responsibilities relating to the accounting, auditing, financial reporting processes, and internal controls of the Port Authority.

II. Authority

The Committee has the authority (through the Board’s approval of this Charter) for and on behalf of the Port Authority to take any and all action to satisfy its responsibilities under the By-Laws and this Charter, including arranging for services to be received from external resources as deemed appropriate by the Committee. The Chairman of the Committee, in coordination with the Executive Director, shall assign executive management and support staff to serve as a continuing resource for the Committee.

The Committee has the authority to form subcommittees and assign tasks to those subcommittees as deemed appropriate by the Committee, but not otherwise delegate to such subcommittees the authority to take independent actions in connection with the satisfaction of the Committee’s responsibilities under the By-Laws and this Charter. Each subcommittee shall provide periodic reports to the Committee with respect to the performance of the assigned tasks and shall make recommendations to the Committee with respect to any actions to be considered by the Committee or the Board resulting from the performance of such tasks.

III. Meetings

The Committee shall meet as determined by the Chairman of the Committee, or at the request of the Chairman of the Port Authority, in connection with the satisfaction of the Committee’s responsibilities. In addition, to ensure effective communication and coordination between the Committees of the Board, the Committees shall meet with each other as determined by the Chairmen of the Committees, or at the request of the Chairman of the Port Authority.

Meetings of the Committee shall be conducted in accordance with the By-Laws. The Chairman of the Committee, in coordination with the Secretary, shall establish the agenda for each Committee meeting, and determine when the agenda requires that a matter be considered in closed, executive session of the Committee. The Secretary shall provide the Committee with all material information pertinent to matters appearing on the Committee agenda in sufficient time for the Committee to review such materials prior to the Committee meeting at which such matter is to be considered.

IV. Reports

The Committee shall provide, unless otherwise requested by the Chairman of the Port Authority, written communications, reports and recommendations to the Board on the results of its oversight and other activities, including any recommendations which in its opinion may be desirable regarding policies and procedures to govern the Port Authority.

V. Powers and Responsibilities

The Committee shall:

- (1) Have oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems, and accounting, auditing and financial reporting processes and the identification and management of enterprise risks to the Port Authority.
- (2) In connection with its responsibilities related to Auditors and Auditor Independence:
 - a. Select pursuant to a competitive process the Independent Auditors to: (i) audit the financial statements, books and accounts of the Port Authority and its wholly-owned entities and (ii) be solely accountable to the Board and the Committee.
 - b. Have oversight of the activities of the Independent Auditors and receive direct reports from the Independent Auditors.
 - c. Review on at least an annual basis a formal written statement from the Independent Auditors that discloses all relationships between the Independent Auditors and its related entities and the Port Authority and its related entities, consistent with Independence Standards Board Standard No. 1, and any subsequent modifications.
 - d. Have the power to determine the compensation of the Independent Auditors and approve the Independent Auditor's fees.
 - e. Have the power to discharge the Independent Auditors when circumstances warrant.
 - f. Work to resolve any disagreements that arise between the Port Authority's financial management staff and the Independent Auditors and report any prolonged impasse to the Board.
 - g. Present an evaluation of the Independent Auditor's qualifications, performance and independence to the Board annually. To be in a position to make such evaluation, the Committee shall:
 - i. Obtain and review a report by the Independent Auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by professional authorities, within the preceding five

years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;

- ii. Review and evaluate the lead partner of the Independent Auditors; and
 - iii. Review the Independent Auditor's performance with the executive staff involved in the financial management of the Port Authority;
- h. Review any proposed services not specifically included in the engagement agreement which are to be provided to the Port Authority by the Independent Auditors.

(3) In connection with its responsibilities related to Financial Reporting:

- a. Meet with the Independent Auditors and executive staff involved in the Port Authority's financial management, prior to the annual audit to review the scope and audit procedures of the proposed audit and, at the completion of the audit, meet again with the Independent Auditors to review audit results and discuss the Independent Auditors' judgment, comments and recommendations about the quality, not just the acceptability, of the Port Authority's accounting principles as applied in its financial reporting.
- b. Review the annual audited financial statements, the written certification by the Executive Director and the Chief Financial Officer with respect thereto, and any interim financial statements released to the public, with executive staff involved in the financial management of the Port Authority and the Independent Auditors and with each of them separately.
- c. Recommend to the Board inclusion of the annual audited financial statements in the Port Authority's annual report and other publications, as appropriate.
- d. Obtain and review a report of the Independent Auditors prior to the release of any audited financial statements of the Port Authority with respect to:
 - i. all critical accounting policies and practices to be used;
 - ii. all alternative treatments of financial information within generally accepted accounting principles that have been discussed with those involved in the financial management of the Port Authority, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditors; and
 - iii. other material written communications between the Independent Auditors and those involved in the financial management of the Port Authority, such as any management letter or schedule of unadjusted differences.

- e. Review any major changes to the Port Authority's auditing and accounting principles and practices as suggested by the Independent Auditors or executive staff involved in the financial management of the Port Authority.
 - f. Review with the Independent Auditors and the executive staff involved in the financial management of the Port Authority, the extent to which changes or improvements in financial or accounting practices have been implemented.
 - g. Discuss with the Independent Auditors their evaluation of the Port Authority's financial, accounting and auditing personnel and the cooperation that the Independent Auditors received during the course of their audit, and any audit problems or difficulties, including any restrictions on the scope of work or access to required information and management's response to the problem or difficulty.
 - h. Establish regular and separate systems of reporting to the Committee by executive staff involved in the financial management of the Port Authority, and the Independent Auditors regarding any significant judgments made by executive staff involved in the financial management of the Port Authority in preparation of the financial statements and the view of each as to appropriateness of such judgments.
 - i. Discuss with the appropriate members of the executive staff of the Port Authority, the Port Authority's major financial risk exposures and the steps taken to monitor and control such exposures, including the Port Authority's risk assessment and risk management policies.
- (4) In connection with its responsibilities related to Compliance and Internal Controls:
- a. Establish and maintain procedures for the receipt, retention and treatment of complaints received by the Port Authority regarding accounting, internal accounting controls or auditing matters (including anonymous submission of concerns about questionable accounting or auditing practices), including protocols by which such matters are assigned to the appropriate department within the Port Authority and reported to the Committee.
 - b. Have oversight of the Port Authority's compliance with legal or regulatory requirements relating to accounting, auditing, financial reporting and/or internal controls.
 - c. Review with the Independent Auditors and executive staff involved in the financial management of the Port Authority, the adequacy and effectiveness of the accounting and financial controls of the Port Authority, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures would be desirable. Particular emphasis will be given to the effectiveness of such internal controls to prevent, as well as detect, any payments, transactions or procedures that might be deemed illegal or otherwise

improper, in recognition of the principle that the cost of internal controls should not outweigh their benefits.

- d. Review the findings of any examinations by regulatory and other third party agencies.
- (5) In connection with its responsibilities related to Internal Audit:
 - a. Review the performance and effectiveness of the Port Authority's internal audit function, including the budget, staffing, organization, independence and proposed audit plans of the Audit Department.
 - b. Have the final authority to review and approve the annual audit plan.
 - c. Review a summary of findings from completed internal audits and a progress report on the proposed internal audit plan.
 - (6) In connection with its responsibilities related to the Inspector General:
 - a. Receive from the Inspector General reports regarding concerns and complaints received by the Office of the Inspector General involving wrongdoing, fraud, waste and abuse by a Commissioner, officer or employee of the Port Authority, or by a third party doing business with the Port Authority.
 - b. Establish and maintain procedures for receiving reports submitted by the Inspector General to the Committee, provided, however, that such procedures shall not limit the Inspector General's independence and freedom from interference in the conduct of the Inspector General's responsibilities.
 - (7) Review with General Counsel, on not less than a semiannual basis, all material litigation and other significant legal matters that may have a material impact on the Port Authority's financial reporting and internal controls;
 - (8) Jointly with the Committee on Security, have oversight of the Port Authority's activities in connection with applications for designation and certification of various qualifying items under the Support Anti-Terrorism by Fostering Effective Technology ("SAFETY") Act;
 - (9) Have oversight of all sub-committees of the Committee; and
 - (10) Review and assess the adequacy of this Charter from time to time and recommend any revisions to the Board for its approval.