

## **Audit Policy**

### **I. Background**

- A. This policy provides guidance on the selection of an independent accounting firm to provide opinions and/or reports on the County's financial statements, internal control over financial reporting and compliance with federal and State laws, regulations, contracts and grants.
- B. The role of the County's Internal Auditor is defined in this policy.

### **II. External Auditors**

- A. External auditors will be selected to perform annual audits through a request for proposal (RFP) process every five years, unless otherwise approved by the Finance Committee.
- B. Recommendation of the selection committee is reviewed by the Finance Committee for concurrence prior to Board of Supervisors approval.
- C. External auditors will review the Comprehensive Annual Financial Report (CAFR) for submission to the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting.
- D. External auditors are responsible for the issuance of any and all required opinions, internal control and compliance reports and management letters in connection with the audit of the financial statements. County assistance will be provided to external auditors in order to produce timely and accurate financial statements and related audit opinions and reports. The external auditor shall coordinate the annual audit objectives with the County's Internal Auditor who may also provide assistance as necessary.

### **III. Internal Audit**

- A. The mission is to independently ascertain whether the ongoing processes for controlling fiscal and administrative operations throughout the County are adequately designed and functioning in an effective manner.
- B. The Internal Audit Department will ensure that:
  - 1. Resources are adequately protected.
  - 2. Significant financial, managerial and operating information is accurate and reliable.
  - 3. The actions of employees comply with the County's policies, regulations, procedures and applicable laws and regulations.
- C. The Director of Internal Audit will be appointed by the Board of Supervisors. The Internal Audit Director reports functionally to the Finance Committee of the Board of Supervisors and reports administratively to the County Administrator. The Finance Committee approves the annual Internal Audit Plan and assists in the evaluation of the performance of the Internal Audit Director.
- D. The duties of the Internal Audit Director will include those listed in Section 15.2-

2511.2 and 2.2-3705.3(7)(vi) of the Code of Virginia. The Internal Audit Department also has responsibility to:

1. Develop an Internal Audit Plan annually and submit that plan to the Finance Committee for approval.
  2. Consider the scope of work of external auditors for the purpose of providing optimal audit coverage to the County including the contracting with external auditors for annual and as needed audit services.
  3. Implement the Internal Audit Plan as approved, including any special projects assigned by the Finance Committee and County Administrator.
  4. Issue periodic reports to the Finance Committee summarizing results of audit activities.
  5. Communicate audit findings/reports to the appropriate level of management and request a written response.
  6. Follow-up on corrective action plans to address audit recommendations.
  7. Administer a telephone hotline for reporting of fraud, waste and abuse.
- E. The Internal Audit staff is authorized to have access to all of the County's functions, records, property and personnel.
- F. The Internal Audit staff will maintain audit documentation in compliance with applicable privacy requirements and Government Auditing Standards.
- G. The Internal Audit staff may perform special audits for Schools and other audit entities, as directed by the Finance Committee. Audits of Constitutional Officers will require concurrence from the applicable Constitutional Officer.
- H. The Internal Audit staff is not authorized to initiate or approve accounting transactions external to the Internal Audit function.

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## **Audit Regulations**

### **1. *External Auditor Planning***

- a) To obtain reasonable assurance as to whether the financial statements are free of material misstatement by examining on test basis evidence supporting the amounts and disclosures in the financial statements.
- b) To maintain compliance with the Single Audit Act.
  - c) To perform assigned additional audits of County, School Board and constitutional officer activities based upon risk assessments of activity, function or process.

### **2. *Opinions on Financial Statements***

- a) Financial statements present fairly, in all material respects, the financial position of the County as of year-end and the results of its operations and cash flows of its proprietary funds for the year then ended in conformity with generally accepted accounting principles.
- b) Other data included in the CAFR designated in the statistical section is not audited and accordingly has no opinion.
- c) Opinions will also be issued for the School Activity Funds financial statements.

### **3. *Internal Control and Compliance Reports***

- d) Internal control and compliance reports will be issued by the external auditors in conjunction with the fiscal year-end audit.
- e) Management of the County and constitutional officers are responsible for establishing and maintaining an internal control structure and to be in compliance with laws, regulations, contracts and grants.

### **4. *Management Letters Issued in Conjunction with the Fiscal-Year End Audit***

- f) Matters involving internal control structure and its operation are identified with related recommendations in a management letter to the Board of Supervisors, School Board and/or Constitutional Officers, as applicable.
- g) County officials will provide a response to the Finance Committee for all management letters issued by the auditors describing disposition of comment and, if applicable, status of plan to implement recommendation.
- h) The School Activity Funds will be issued a separate management letter addressed to the School Board with any material comments also included in the management letter or other appropriate communication issued to the Board of Supervisors.

### **5. *Audit Assistance Provided by County***

- i) Applicable County departments, agencies and constitutional offices will provide agreed upon audit assistance by pre-established due dates.
- j) County Finance Department will monitor departmental compliance with audit assistance schedule and review departmentally prepared schedules for reasonableness and propriety.

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k) The County's internal auditor may provide assistance to the auditors during their fieldwork and assist in additional services performed by the auditors as approved by the Finance Committee.

**6. Internal Audit**

a. The scope of activities is to ascertain, through selective testing, that the processes for controlling, as they have been designed and represented by management, are adequate and functioning in a effective manner to ensure:

i) Resources are adequately protected.

ii) Significant financial, managerial and operating information is accurate and reliable.

iii) Employee's actions are in compliance with the County's policies, standards, procedures, and applicable laws and regulations.

b. Opportunities for improving the efficiency of County operations may be identified during audits and communicated to the appropriate level of management.

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