



Prince William County, Virginia
INTERNAL AUDIT FUNCTION CHARTER
Adopted: October 18, 2016

INTERNAL AUDIT FUNCTION DEFINED:

The Internal Audit Function is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Prince William County, Virginia ("the County"). The Internal Audit Function assists the County in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the efficiency and effectiveness of the organization's governance, risk management, internal controls, and operational processes.

ESTABLISHMENT AND CHARTER OF THE INTERNAL AUDIT FUNCTION:

The Internal Audit Function is established and defined by charter by the Board of County Supervisors ("BOCS") as part of their oversight role.

MISSION AND SCOPE OF WORK:

The mission of the Internal Audit Function is to independently examine and evaluate the ongoing governance, risk management, internal controls and operational processes of the County and to provide counsel and recommendations for improvement whenever they are identified. The scope of the internal auditing function is to ascertain that the County's governance, risk management, internal controls and operational processes, as designed and represented by management, is adequate and functioning in a manner to ascertain whether:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable and timely;
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Interactions and arrangements with third parties, including contractors and joint ventures, are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the organization's control process; and
- Legislative or regulatory compliance issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving efficiency and effectiveness of operations and image of the organization, which may be identified during audits are communicated to the appropriate level of management.

PROFESSIONALISM:

The Internal Audit Function will govern itself by adherence to applicable Professional Standards, such as the Institute of Internal Auditors and the like. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Internal Audit Function's performance.

The Internal Audit Function will also adhere to Practice Advisories, Practice Guides, and Position Papers, as applicable, to guide operations. In addition, the Internal Audit Function will adhere to the County's relevant policies and procedures and the Internal Audit Function's standard operating procedures.

AUTHORITY:

The Internal Audit Function, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the County's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are expected to assist the Internal Audit Function in fulfilling its mission, scope of work and responsibilities, as requested. The Internal Audit Function will also have free and unrestricted access to the BOCS.

ORGANIZATION:

A BOCS approved organization chart has been developed designating the reporting lines of the Internal Audit Function. The Board Audit Committee sets the direction for the Internal Audit Function and has ultimate oversight of the function. The Internal Audit Function will report directly to the BOCS through the Board of County Supervisors' Board Audit Committee. The Internal Audit Function shall be outsourced to an independent third-party contractor ("Internal Auditors") through a competitive procurement process with administrative support provided by a County administrative support position.

The BOCS will approve all decisions regarding the selection, appointment, evaluation of performance, or removal of the Internal Auditors. The Internal Auditors will communicate and interact directly with the BOCS, including in executive sessions and between BOCS meetings, as needed and appropriate.

INDEPENDENCE AND OBJECTIVITY:

The Internal Audit Function will remain free from interference by any element in the organization, including matters of audit selection, scope of work, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude in both fact and appearance. The Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, the Internal Auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

The Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. The Internal

Auditors will confirm to the BOCS, at least annually, the organizational independence of the Internal Audit Function.

RESPONSIBILITY:

The scope of the Internal Audit Function encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, internal controls and operational processes as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Monitoring and evaluating governance processes;
- Monitoring and evaluating the effectiveness of the organization's risk management processes;
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit;
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization;
- Reporting periodically on the Internal Audit Function's purpose, authority, responsibility, and performance relative to its plan;
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the BOCS; and
- Evaluating specific operations at the request of the BOCS or management, as appropriate.

INTERNAL AUDIT PLAN:

At least annually, the Internal Auditors will submit to the BOCS an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as a budget for the fiscal year.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input from the BOCS. Any significant deviation from the approved internal audit plan or the impact of resource limitations will be communicated to the BOCS through periodic activity reports.

REPORTING AND MONITORING:

A detailed, written report will be prepared and issued by Internal Auditors following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the BOCS.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

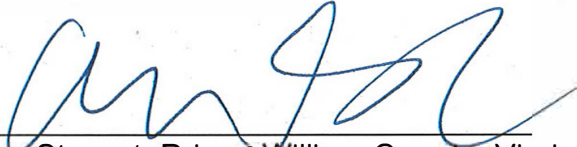
The Internal Auditors will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings and recommendations will remain in an open issues file until cleared.

The Internal Auditors reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the BOCS.

PERIODIC ASSESSMENT:

The BOCS, through the Board Audit Committee, will periodically assess the performance of the Internal Auditors in fulfilling the Internal Audit Function's mission, scope of work, authority, independence and objectivity and responsibility, as well as performance relative to its internal audit plan.

Approved this 18 day of October, 2016.



Corey Stewart, Prince William County, Virginia
Board of County Supervisors, Chairman