


Policy Title:		External Audit	
	OFFICE OF THE CHIEF FINANCIAL OFFICER	Category	External Audit
		Policy #	
		Revision #	N/A
		Review Frequency	As Needed – no less frequently than triennially
Division	External Audit	Reviewed By	Chief Financial Officer
Approval		Last Reviewed/Update Date	
Implementation Date			

1. AUTHORITY

- 1.1. The Michigan Uniform Budgeting and Accounting Act (MCL 141, Act 2) requires the City of Detroit (“City”) to provide for annual financial reports from local units of government.

2. OBJECTIVES

- 2.1. To provide general guidance for managing the external audit process regarding Detroit Water and Sewerage Department’s (“DWSD”) financial statement audit.

3. PURPOSE

- 3.1. The purpose of this policy is to establish an effective process over the annual financial audit of DWSD, including interacting with the City of Detroit (“City”) as needed, coordinating efforts to respond to external auditor requests and questions, and take action in response to audit findings when necessary.

4. DEFINITIONS

“DWSD” means Detroit Water and Sewerage Department.

“External Audit” means the examination of a company’s financial records and reports by an independent external auditor under generally accepted auditing standards.

“Remediation” refers to actions taken to remedying a procedure or deficiency found during the External Audit that is disclosed to the Board of Water Commissioners by the external auditor.

5. SCOPE

- 5.1. This policy applies to all activities related to the annual external audit process.

6. RESPONSIBILITIES

6.1. Chief Financial Officer

- 6.1.1. The Chief Financial Officer oversees the audit process and designates personnel to assist the external Audit Team Leader as needed.

6.2. Audit Team Leader

- 6.2.1. The Audit Team Leader, an individual who will be designated by the Chief Financial Officer (“CFO”) is the operational point of contact between DWSD and

the External Auditor and is responsible for coordinating DWSD audit activities and responses.

6.3. Internal Audit Manager

- 6.3.1. The Internal Audit Manager may be responsible for assisting with requests made from the External Auditor during the financial statement audit and may provide any internal audit reports requested by the External Auditor. The Internal Auditor or members of the DWSD internal audit team may also provide hands-on testing assistance, in accordance with audit standards.

6.4. External Auditor

- 6.4.1. The External Auditor is responsible for conducting the Audit and reporting audit findings and results to the appropriate parties.

6.5. DWSD Employees

- 6.5.1. DWSD Employee's assisting with the External Audit are responsible for cooperating with the External Auditors during the course of planned fieldwork and providing supporting schedules and source documentation as requested.

7. POLICY

7.1. Annual External Audit

- 7.1.1. DWSD, along with the City of Detroit, is required annually to undergo an external audit of their financial operations. The primary purpose of the auditing and reporting requirements of MCL 141 is to maintain the confidence of all interested parties in the integrity of the record keeping and financial reporting of local units of government. Interested parties include, but are not limited to, the following: citizens of the community, state and federal government, creditors, and local officials.
- 7.1.2. Various sections of MCL 141 requires that the following reports be prepared by the External Auditor:
 - 7.1.2.1. Report on Financial Statements
 - 7.1.2.2. Report on Internal Control and Report to Those Charged with Governance
 - 7.1.2.3. Auditing Procedures Report
 - 7.1.2.4. Report on Findings of Suspected Fraud and/or Embezzlement
 - 7.1.2.5. Report under the Federal Uniform Guidance (when State and Federal grants over the statutory minimums are received)

7.2. External Audited Financials to the City of Detroit

- 7.2.1. Audit financial statements are required to be issued within 6 months of the end of the Fiscal Year.
- 7.2.2. DWSD will coordinate with the City and External Auditors to meet this requirement.

7.3. External Audited Financials Provided to the State of Michigan

- 7.3.1. The issued audited financial statements must be provided to the State of Michigan within 6 months after the end of the fiscal year. DWSD will coordinate with the City, as needed, to ensure that this deadline is met.

7.4. Remediating External Audit Findings

- 7.4.1. The External Auditor communicates material weaknesses and significant deficiencies in internal controls to the Board of Water Commissioners at the conclusion of the audit.
- 7.4.2. The External Audit results from the annual financial statement audit must be reviewed and remediated by the CFO, or designate.

7.5. Reasonable and Necessary Accommodations

- 7.5.1. Management may take reasonable and necessary actions to accomplish the intent of this policy.

8. PROCEDURE

8.1. Planning for an External Audit

- 8.1.1. The External Auditor will provide a request list to DWSD to start the External Audit and fieldwork timelines.
- 8.1.2. The Audit Team Leader and the DWSD Employees will agree on the audit timing for the items to be provided and fieldwork.
- 8.1.3. The Audit Team Leader, Internal Audit Manager, and DWSD Employees will provide the request list timely. The DWSD Employees will gather the requested items and the Audit Team Leader will review the requested items prior to delivering to the External Auditor.

8.2. Supporting the External Audit

- 8.2.1. The Audit Team Leader and DWSD Employees will provide the additional requests in a timely manner.

8.3. Issuing the Financial Statements

- 8.3.1. The DWSD Financial Statements will be publicly issued and filed with the State of Michigan under the timeline requirements of MCL 141. This effort will be managed in close coordination with the City.

8.4. Audit Remediation

- 8.4.1. The CFO, Internal Audit Manager, External Audit Leader, and responsible DWSD employees review the audit findings provided by the External Auditor.
- 8.4.2. The CFO, or delegate, will determine remediation efforts and assign remediation tasks as needed.