

INTERNAL AUDIT

DESCRIPTION

Internal Audit assists the County Manager and the Board of Supervisors by providing objective analyses, recommendations, advice and comments concerning those areas reviewed to ensure an appropriate level of control at a reasonable cost. To be effective, Internal Audit must maintain independence, and therefore reports directly to the County Manager and the County's Audit Committee. As a result of a consolidation of audit functions in FY2019-20, Internal Audit also reports to the School Board's Audit Committee and provides support to the Superintendent of Schools.

Internal Audit evaluates the adequacy and effectiveness of internal controls within County agencies and School operating divisions and examines the quality of performance of their operations for improvement of accountability. Assessing quality of performance includes (1) appraising the reliability and integrity of financial and operating information and the means to process data; (2) evaluating the sufficiency of compliance with significant plans, policies, procedures, laws and regulations; (3) ascertaining the adequacy of controls for safeguarding assets and, as appropriate, verifying asset existence; and (4) examining efficient use of resources and program accomplishments.

OBJECTIVES

- Perform an annual risk assessment, identify areas of risk for audit, and conduct planned internal audits to evaluate controls, recommend workable improvements, and note commendable practices that can be shared with other agencies.
- Follow up on prior internal audits to determine that agreed-upon management action plans have been effectively implemented to address the risks identified during the audits.
- Assist with the County's annual external audit and help facilitate the external audit of the Schools' activity funds.

FISCAL YEAR 2021 SUMMARY

Annual Fiscal Plan

Description	FY19 Actual	FY20 Original	FY21 Approved	Change 20 to 21
Personnel	\$ 446,813	\$ 627,485	\$ 545,579	(13.1%)
Operation	13,606	24,452	20,956	(14.3%)
Capital	0	0	0	0.0%
Total	<u>\$ 460,419</u>	<u>\$ 651,937</u>	<u>\$ 566,535</u>	<u>(13.1%)</u>

*Personnel Complement 4 6 * 6 0

*One position merged from Henrico County Public Schools and one additional position added.

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PERFORMANCE MEASURES

	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>Change 20 to 21</u>
Workload Measures				
Audit Projects: Audits, Follow Ups, Consults	26	35	35	0
*Efficiency Measures				
Henrico County budget/audit position (mil)	\$ 167	\$ 221	\$ 233	12
Henrico County employees/audit position	1,030	1,851	1,882	31

*FY19 reflects only Henrico County General Government.

*FY20 and FY21 reflect both General Government and Henrico County Public Schools.

OBJECTIVES (CONTINUED)

- Advise County and School management, and the County's and School's Audit Committees on potential improvements in operations and results through technical assistance.
- Perform requested special audits and follow up on issues raised through the fraud reporting mechanisms and recommend corrective action as required.
- Administer office activities for continuous professional education, training, and skills development, ensuring excellent quality and adherence to independent auditing with integrity.

BUDGET HIGHLIGHTS

FY2019-20 is the first year of operation as a consolidated Internal Audit function for both the General Government and Education. The consolidation allows both entities to leverage resources, audit skillsets, and minimize redundancy.

Internal Audit's budget of \$566,535 represents a decrease of \$85,402 or 13.1 percent over the FY2019-20 approved budget. This decrease is due to the COVID-19 outbreak. Unfunded vacancies make up 96 percent of these reductions while a reduced operating budget makes up the remaining 4 percent.

The auditing environment has become increasingly complex and challenging as the County, its agencies and the School system implement additional technology and as regulations and accounting requirements are continuously changing. To meet these challenges and provide quality audit results, Internal Audit uses enhanced auditing software in all of its audits to better examine activity in a cost-effective manner. The department pays annual software licensing costs to maintain current versions and vendor support for these tools. In addition, the department requires all staff to maintain professional certifications and provides annual continuing education to stay current with requirements, business risks, and the latest audit techniques. The software licensing costs as well as the continuing education costs are the two largest components of the operating budget for Internal Audit.

Internal Audit conducts annual surveys and finalizes risk-based planning assessments to select and perform routine audits of the effectiveness of controls in a number of areas. The goal of the audit planning process is to select

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auditable areas of risk in the major General Government operating segments and School locations and operating divisions each year.

The department manages the County's webpage and telephone hotline, which allow citizens and employees to report concerns of potential government fraud, waste, and abuse. These resources may generate additional special projects. Technical assistance will be provided to County agencies and School divisions as requested. The department also assists the County's external auditors with the required annual financial and compliance audits to help control those costs.

Some of the internal audits conducted by the department in FY2019-20 included receipts and/or expenditures in Building Inspections; processes involved in administering activities related to the Children's Services Act; Information Technology Controls within Schools; certain School payroll processes; and department audits related to turnover of key personnel in some General Government agencies and various schools.